IMMEDIATE ATTENTION

EBD/08/76

July 14, 2008

To: Members of the Executive Board

From: The Secretary

Subject: ***2008 Annual Report***

The attached draft of the *2008 Annual Report*, incorporating a listing of the materials to be included in a CD-ROM insert into the report, has been approved by the Committee on the Annual Report (CAR). Also included for the information of Executive Directors is the Message from the Managing Director that will appear in the front matter of the Report as well as many of the materials that will appear on the CD-ROM. Please note that, for convenience, some minor editorial changes, which do not change the substance of the text previously approved by the CAR, are highlighted in this draft.

In the absence of an objection from an Executive Director by **the close of business on Monday, July 21, 2008,** the Report will be deemed approved by the Executive Board for transmittal to the Board of Governors, and a decision to that effect will be recorded in the minutes of the next meeting thereafter. A draft letter of transmittal to the Board of Governors to be included among the first pages of the Annual Report will be circulated at a later stage.

Att: (1)

Other Distribution:
Department Heads

International Monetary Fund

Annual Report 2008

July 14, 2008

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The IMF's financial year is May 1 through April 30.

The unit of account of the IMF is the SDR; conversions of IMF financial data to U.S. dollars are approximate and provided for convenience. On April 30, 2008, the SDR/U.S. dollar exchange rate was US$1 = SDR 0.61585, and the U.S. dollar/SDR exchange rate was SDR 1 = US$1.62378. The year-earlier rates (April 30, 2007) were US$1 = SDR 0.65609 and SDR 1 = US$1.52418.

"Billion" means a thousand million; "trillion" means a thousand billion; minor discrepancies between constituent figures and totals are due to rounding.

As used in this *Annual Report*, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

Message from the Managing Director

At our Spring Meetings in April, I said that the world was between fire and ice: between the risks of accelerating inflation fed by energy and food price increases, and the risks of a global recession precipitated by the U.S. housing market downturn and global financial market crisis. To avoid both the fire and the ice, countries will need good policies and the courage to implement them, and they will need to work together.

The IMF can help. One of the principal features of the financial market crisis has been spillovers across countries and across sectors. These cross-country and macro-financial linkages are areas where the Fund has a comparative advantage.

Already this year, the Fund has advised members on the nature of the risks and the extent of the costs of the financial market crisis. We have also proposed solutions: monetary policy as a first line of defense, fiscal stimulus by governments that can afford it, and measures to address problems in specific sectors, such as housing and finance. We are also advising members hit hard by the food crisis and by higher oil prices, and extending financial support to some of them.

The past year has been a time of major changes in the Fund. Rapid change began under my predecessor, Rodrigo de Rato. As Managing Director from 2004 to October 2007, Mr. de Rato devised a Medium-Term Strategy that stepped up the Fund's work on financial sector and financial market issues and mandated a sharpening of the focus of the Fund's work on bilateral surveillance and on low-income countries. Under his leadership, the Fund also completed the first stage of quota reform, formulated proposals for reform of the Fund's sources of income, and adopted the 2007 Decision on Bilateral Surveillance Over Members' Policies.

Before my own selection as Managing Director, I toured the world talking to the IMF's Governors and many others interested in the Fund. What I heard was that the Fund is respected, but that it does not always give our members what they need. This convinced me that the Fund needed to accelerate its work on restructuring and refocusing its activities. This conviction was behind my Statement on Refocusing and Modernizing the Fund, which I sent to the Executive Board's Committee on the Budget in December 2007.

The underlying theme of that statement and my subsequent Statement on Strategic Directions in the Medium-Term Budget to the Executive Board was that in all of our areas of responsibility—surveillance, program and near-program work, and capacity building—we should make use of our comparative advantage. My vision for a refocused Fund is that it should be alert to emerging issues, critical in its assessments, and assertive in communicating its concerns, especially with regard to the following:

- Surveillance—with deeper analysis of macro-financial linkages, exchange rates, and spillovers, and with a more global perspective and cross-country experience brought to bear on policy dilemmas of countries.
- Program and near-program work—with our contribution, including in low-income countries, emphasizing macro-financial stability focusing on our associated core expertise.
- Capacity building—with technical assistance focused on macroeconomic issues, prioritized through a mechanism for charges, and augmented by more fund-raising.

The corollary to a refocused Fund is a restructured Fund, with a governance structure better reflecting its membership, a sustainable income model, and lower administrative costs. During FY2008, we have made major progress in completing the restructuring agenda.

- In March 2008 the Executive Board endorsed a package of governance reforms including a new quota formula, a second round of quota increases based on this formula, and amendments to the Articles of Agreement tripling basic votes and strengthening the voice of the African chairs at the Board. Moreover, the package is dynamic in that it mandates further increases in basic votes and envisages further redistribution of quota shares as the global economy changes. The Board of Governors adopted these reforms on April 28, 2008, and we now await acceptance by members of the related amendment to the Articles of Agreement.

- In April 2008, the Board reached broad consensus on a new income model. Once embodied in an amendment to the Articles of Agreement to expand the Fund's investment authority and a decision to conduct limited gold sales, the new model will provide the critical elements for the sustainable financing of the Fund. At the same time, the Board approved a budgetary envelope that will deliver $100 million annual savings in real terms over the next three years, and implies a downsizing of staff by 380 over the same period. In May, this downsizing was accomplished, largely through a voluntary separation process that will take effect during FY2009–11.

As a result of the downsizing we will be losing many veteran staff over the next year. I want to salute their contribution. Many staff have given their working lives to the Fund and to its members. Those who are retiring can do so with the knowledge that they have transformed the world through their labor.

But in concluding this message, and looking forward to the next financial year, I also want to praise and thank the much larger number of staff who will stay and work on the next stage of the Fund's remarkable journey. The events of the past year have revealed just how much the world needs a strong Fund and a spirit of multilateralism. The events of the next year and beyond will reveal how far we are able to realize the promise of the Fund. We have a great deal to do. But I know that we have good allies and partners in our work: in the staff, in the Executive Board, and among our global membership.

1. Overview: refocusing the IMF

The global economy faced a number of challenges during FY2008. As problems in the U.S. subprime mortgage market spilled over into other credit markets, growth prospects slowed in a number of the advanced economies; at the same time, prices for food and oil surged, adding to inflationary pressures worldwide and creating severe hardships for many low-income countries.[1] The IMF's Executive Board—in accordance with the Fund's core mandate of safeguarding global macroeconomic and financial stability—responded to these developments immediately, strengthening the Fund's analysis of financial sector issues; recommending policies that could help member countries mitigate the impact of turmoil in financial markets on their economies; and offering policy advice to low-income countries on macroeconomic management in the face of rising costs for food and fuel as well as financial assistance to members in this group experiencing balance of payments problems triggered by the higher cost of imports.[2]

FY2008 was also a year of reform in the IMF, as the Executive Board moved ahead with measures that will enable the IMF to better meet the evolving needs of its member countries, keep pace with changes in the global economy and financial markets, and adjust to a reduced budgetary envelope. The Board adopted a new, comprehensive framework for bilateral surveillance focused on identifying ~~exchange rate~~ policies that could jeopardize macroeconomic and financial stability at both the national and the global levels.[3] In response to the turmoil in financial markets, it concentrated on analyzing the spillovers between individual economies and the global economy, and the linkages between financial markets and the real economy. It also took steps to improve the Fund's governance structure, agreeing on a significant package of quota and voice reforms designed to realign the quota shares of member countries with their relative weight in the global economy and to enhance the voice and participation of low-income countries in the Fund's decision making. Another landmark

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[1]Chapter 2 describes developments in the global economy and financial markets in FY2008.

[2]As set out in the its Articles of Agreement, the Fund is charged with, among other things, safeguarding the stability of the international monetary system and promoting sustainable economic growth. The Articles of Agreement can be found on the IMF's Web site, at www.imf.org/external/pubs/ft/aa/index.htm.

[3]For an update on the progress made toward the Fund's key strategic objectives, see CD-Box 1.1 on the CD-ROM.

achievement of FY2008 was the Board's agreement on a new income and expenditure framework that will enable the Fund to put its finances in order.

These and other activities of the Board are described in greater detail in this chapter and the chapters that follow.

SURVEILLANCE

The IMF's surveillance activities are anchored in bilateral surveillance—the oversight of economic policies in member countries to ensure that members comply with their obligations under the Articles of Agreement and that their policies contribute to the stability of the international monetary and financial system. In early FY2008, after a year-long review of the 1977 Decision on Surveillance over Exchange Rate Policies, the Executive Board adopted a new framework for bilateral surveillance. The 2007 Decision on Bilateral Surveillance provides more complete guidance both to the Fund in the conduct of surveillance and to member countries in the conduct of exchange rate policies, but without creating new obligations for members. An important innovation is the 2007 Decision's introduction of the concept of external stability as an organizing principle of surveillance. ~~While~~ As the 1977 Decision did, the 2007 Decision ~~enjoined~~ enjoins members to avoid exchange rate manipulation for specific purposes; ~~the 2007 Decision~~it also recommends that members avoid exchange rate policies that result in external instability, regardless of their original purpose. It thus captures exchange rate policies that have proven over time to be a major source of instability. The Board viewed the adoption of the Decision as an important ~~starting point~~contribution to ~~in~~ the Fund's efforts to discharge its surveillance responsibilities effectively and in an evenhanded manner.[4]

During FY2008, the Board devoted considerable attention to the turmoil in international financial markets, as reflected in its discussions of the *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR), the IMF's primary vehicles for multilateral surveillance (see Chapter 3). The impact of the turmoil on global stability and growth was a central topic of the April 2008 WEO, while the April 2008 GFSR analyzed the impact on the international financial system and assessed the potential for spillovers,

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[4]See "IMF Executive Board Adopts New Decision on Bilateral Surveillance Over Members' Policies," PIN 07/69, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0769.htm.

examining real and financial transmission channels and providing advice on short-term measures member countries could take to mitigate the impact of the turmoil on their economies.

Executive Directors also reviewed, in April 2008, the IMF staff's initial assessment of the events in financial markets, broadly supporting its preliminary findings and recommendations. The Board's discussion of the assessment covered risk-management practices related to structured finance products; the valuation of such products and the role and design of credit ratings for them, as well as accounting and disclosure practices; crisis and emergency liquidity management, including by central banks; and the regulation and prudential oversight of banks and other financial entities.[5] While recognizing that events were still evolving at the time of the discussion, Executive Directors underlined the importance for Fund surveillance of analyzing the causes of the turmoil and drawing lessons from it, and encouraged staff to continue to work closely with national authorities, international bodies, and market participants. In addition, a new methodology for distinguishing between vulnerabilities and crisis risk in emerging market economies was developed during the year, and the Spring 2008 Vulnerability Exercise focused on the impact of the financial market turmoil on these economies.

Given the increasingly important role played by sovereign wealth funds (SWFs) in the international monetary and financial system, the Executive Board, in its March 2008 discussion of such funds, considered that the IMF was well placed to facilitate and coordinate the development of voluntary principles and practices for SWFs, in collaboration with other organizations. The IMF is providing the secretariat for an international working group composed of representatives of 25 member countries that is tasked with developing a common set of voluntary principles for SWFs by the 2008 Annual Meetings of the IMF and the World Bank. This initiative was welcomed by the International Monetary and Financial

[5]See "The Recent Financial Turmoil—Initial Assessment, Policy Lessons, and Implications for Fund Surveillance," the paper discussed by the Board, which can be found on the CD-ROM as well as on the IMF's Web site, www.imf.org/external/np/pp/eng/2008/040908.pdf.

Committee, the main advisory body of the IMF's Board of Governors, in its Communiqué of April 12, 2008.[6]

To further strengthen the framework within which the IMF conducts surveillance, the Executive Board began discussing the design of the Triennial Surveillance Review in April 2008. The Review is expected to include a Statement of Surveillance Priorities.

The Fund's surveillance activities during FY2008 are described in detail in Chapter 3.

PROGRAM SUPPORT AND CAPACITY BUILDING

The Executive Board continually reviews the IMF's financing facilities, capacity-building activities, and the other programs and instruments through which the IMF provides assistance to member countries and adjusts them as the latter's needs change. The *emerging market economies'* demand for IMF lending has declined sharply over the past few years, as they reaped the benefits of their own improved policies, which have resulted in stronger economic fundamentals, and benign market conditions. These economies, as a group, continued to grow strongly in FY2008, despite the slowdown in the advanced countries, and appeared resilient to the turmoil in financial markets, although in some cases balance of payments difficulties are emerging. However, vulnerabilities remain, particularly in emerging market countries heavily dependent on large capital inflows for financing current account deficits. ~~The emphasis of the Board in these countries has thus shifted to~~Accordingly, in addition to standing ready to provide support via the Fund's existing lending instruments, the Board has placed increased emphasis on the analysis of financial sector risks and macro-financial linkages, provision of advice and technical assistance in strengthening debt-management practices, and development of a liquidity or crisis-prevention instrument—such as a rapid access line or a financial stability line—for countries integrating into global capital markets in the event they experience a sudden reversal of capital inflows.

The Executive Board is also taking steps to deepen the IMF's engagement with *low-income countries,* which is evolving as countries' economies grow and mature. There is growing emphasis on providing advice on policy responses to capital inflows, commodity

[6]The Communiqué, PR 08/78, can be found in Appendix III on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/cm/2008/041208.htm.

price swings (including for food and oil), financial market development, and debt sustainability, among other things. One of the most serious challenges facing policymakers in low-income countries in FY2008 was the soaring cost of food and fuel imports, which threatened poverty reduction efforts and the low-income countries' ability to achieve the Millennium Development Goals (MDGs) by 2015. The IMF moved rapidly to help vulnerable members assess the implications of rising prices for their fiscal policy, balance of payments, and income, and convened a task force to coordinate the Fund's response to the crisis. At a briefing in April 2008, Executive Directors generally approved the task force's work program, supporting the provision of policy advice to low-income members adversely affected by higher food and fuel prices, as well as financial assistance, through both existing and new Poverty Reduction and Growth Facility arrangements and the Exogenous Shocks Facility, to countries suffering balance of payments problems. Executive Directors also encouraged Fund staff to cooperate with other international organizations working on measures to alleviate supply constraints.

As a participant in the UN High-Level Task Force on the Global Food Security Crisis, which was established in April 2008, the IMF is collaborating with a number of UN agencies and the World Bank in promoting a unified response to the global food price challenge, including by facilitating the creation of a prioritized plan of action and coordinating its implementation. In early FY2009, the Board approved financing through the Poverty Reduction and Growth Facility for seven countries affected by the crisis, and considered revising the Exogenous Shocks Facility to make it more easily accessible to countries facing food and fuel price increases.

Another measure to assist low-income countries in their efforts to reduce poverty and reach the MDGs was the Executive Board's approval in FY2008 of changes making the framework for the Heavily Indebted Poor Countries (HIPC) Initiative more flexible. To reduce delays in making debt relief available to HIPCs with protracted arrears, for example, the Board determined that performance under a Staff-Monitored Program meeting certain standards could count toward the track record of sound policies countries need to establish to reach the so-called decision point, when they receive commitments of debt relief from the international community (and may start receiving interim debt relief) pending further economic reforms. Liberia was the first country to benefit from the changes to the framework (see Box 4.1). The Board also considered a new framework for providing more effective capacity-building and financial assistance to so-called fragile states (states such as post-conflict countries, whose economic and social performance is impaired by weak governance, limited administrative capacity, social tensions, and a tendency to political instability), and called on management to prepare operational proposals that reflect the Board's views and the views of potential recipients and donors for discussion in FY2009.

The Executive Board is taking steps to make delivery of the Fund's *capacity-building assistance*—technical assistance (TA) and training—to member countries more efficient and cost-effective. It is emphasizing more rigorous prioritization and greater integration of TA and training with surveillance and lending, heightened collaboration with other donors, and increased external funding to leverage the IMF's own resources. It is also considering charging graduated fees according to recipient countries' per capita income. Many improvements in the Fund's capacity-building activities have already been implemented in the past few years, including relying more heavily on the regional technical assistance and training centers, having the Fund's area departments take the lead in setting TA strategies in coordination with country authorities, introducing quantitative performance indicators for TA, and mobilizing increased donor funding for training.

The IMF's role in, and support for, emerging market and developing countries is described in detail in Chapter 4.

GOVERNANCE, FINANCES, AND ORGANIZATION

Following two years of extensive discussions, the Board of Governors approved on April 28, 2008, an important package of reforms of the Fund's governance that will increase the voice and representation of emerging market and low-income countries.[7] The package, which delivered more than the Board of Governors committed to in its Resolution of September 18, 2006, sets out a quota formula that is simpler and more transparent than the five-formula system it replaces and calls for ad hoc quota increases for 54 members to realign their quota

[7]See "IMF Executive Board Recommends Reforms to Overhaul Quota and Voice," Press Release 08/64, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0864.htm. The Report of the Managing Director to the IMFC on IMF Quota and Voice Reform can be found on the CD-ROM as well as on the IMF's Web site: www.imf.org/external/pp/longres.aspx?id=4242.

shares with their relative weight and role in the global economy. The package also includes an amendment providing for a tripling of basic votes[8] to increase the voice of low-income countries (the first increase in basic votes since the Fund was established); creating a mechanism to ensure that the ratio of total basic votes to total voting power remains constant in the event of future quota increases; and authorizing a second Alternate Executive Director for Executive Directors elected by a large number of members, which in the current circumstances will benefit the two African chairs on the IMF's Executive Board. The Board of Governors' Resolution represents a major step forward in the modernization and restructuring of the Fund to better reflect the changing realities of the global economy. The proposed amendment on the increase in basic votes and the second Alternate Executive Director will enter into force once three-fifths of the Fund's members having 85 percent of the total voting power have accepted it. The ad hoc quota increases will become effective after the proposed amendment has entered into force and require each relevant member's consent to, and payment of, its quota increase.

The Board also reached agreement on a new income and expenditure framework that is expected to put the IMF's finances on a sounder footing. On the expenditure side, the Board identified approximately $100 million in savings to be achieved over the next three fiscal years through reductions in both staff and non-staff costs, and set out how a leaner, refocused institution will better serve its membership. On the income side, the Board of Governors approved on May 5, 2008, a proposed amendment to expand the investment authority of the Fund, which, to become effective, requires the acceptance of three-fifths of the Fund's members having 85 percent of the total voting power.[9] As part of the new income model, the Executive Board also supported a proposal to create an endowment funded with profits from the sale of a limited part of the Fund's gold. All Executive Directors have indicated either that they are ready to vote in favor of a decision to sell a limited portion of the Fund's gold, or that they will seek legislative approval to vote in favor of such a

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[8] As set out in the IMF's Articles of Agreement, each member was originally allotted 250 basic votes plus one vote per SDR 100,000 of its quota.

[9] See " IMF Board of Governors Approves Key Element of IMF's New Income Model," Press Release 08/101, on the CD-ROM or on the Fund's Web site, at www.imf.org/external/np/sec/pr/2008/pr08101.htm.

decision.[10] In parallel with the changes agreed in principle to the Fund's income and expenditure framework, the Board amended the terms of reference for its Budget Committee, to enable the Committee to consider the income and the expenditure sides of the budget together, in an integrated framework.

The IMF's communications strategy was also reviewed by the Executive Board in FY2008. The Board welcomed the efforts being made to better integrate the Fund's operations with its communications in building support for the Board's reform agenda. As part of this strategy, the Fund is increasingly shifting to Web-based and multimedia technologies and tailoring its outreach to key audiences of opinion leaders. It is also broadening its outreach by systematically producing key materials in languages other than English that are heavily used in the Fund's work, and refocusing its publishing program.

The IMF's institutional transparency continues to be high. In FY2008, the Fund published its third annual update on the implementation of its transparency policy, indicating that, even though publication is voluntary, the overwhelming majority of country documents and policy papers are published.

The Board also continued to strengthen the Fund's risk-management framework during FY2008. It welcomed the Advisory Committee on Risk Management's update at an informal Board briefing in January with a call for greater prioritization in the risk-management framework and more consideration of risks stemming from misreporting by members. Also in January, in a briefing to the Board, the External Audit Committee indicated satisfaction with the Fund's internal and external audit processes and encouraged the Fund to take steps to make its financial statements clearer, implement a whistleblower policy, and adopt a more formalized incident-reporting process.[11]

As part of its efforts to formalize the framework for IMF accountability, in FY2007, the Board called on Fund management to produce implementation plans for Board-endorsed

[10] See "IMF Managing Director Strauss-Kahn Applauds Executive Board's Landmark Agreement on Fund's New Income and Expenditure Framework," Press Release 08/74, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0874.htm. The Report of the Managing Director to the IMFC on a New Income and Expenditure Framework for the IMF can be found on the CD-ROM as well as on the IMF's Web site: www.imf.org/external/pp/longres.aspx?id=4245.

[11] In June 2008, the IMF launched an "integrity hotline," which will allow individuals inside and outside the Fund to raise concerns, on a confidential basis, about possible staff misconduct.

recommendations in the Independent Evaluation Office's (IEO) assessments of Fund activities and, in FY2008, to issue periodic monitoring reports on the state of implementation. Three implementation plans have been produced so far; they cover the Board-endorsed recommendations in the IEO's evaluations of the IMF and aid in sub-Saharan Africa, the Fund's advice on exchange rate policies, and structural conditionality in Fund-supported programs. The first periodic monitoring report, which was issued in FY2008, covered recommendations from IEO evaluations that were discussed by the Board before the new formalized framework was put in place.

Turning its attention to sharpening the focus of its own work, in FY2008 the Board approved the recommendations of a working group of Executive Directors that was convened to examine the structure and mandate of Board committees and amended the terms of reference of a number of these committees accordingly. Notable among the changes approved was the broadening of the Budget Committee's mandate, as mentioned above, and the establishment of a Committee on Liaison with the World Bank and Other International Organizations, which is charged with keeping the Board informed of developments at other institutions whose work also involves promoting economic stability and growth.

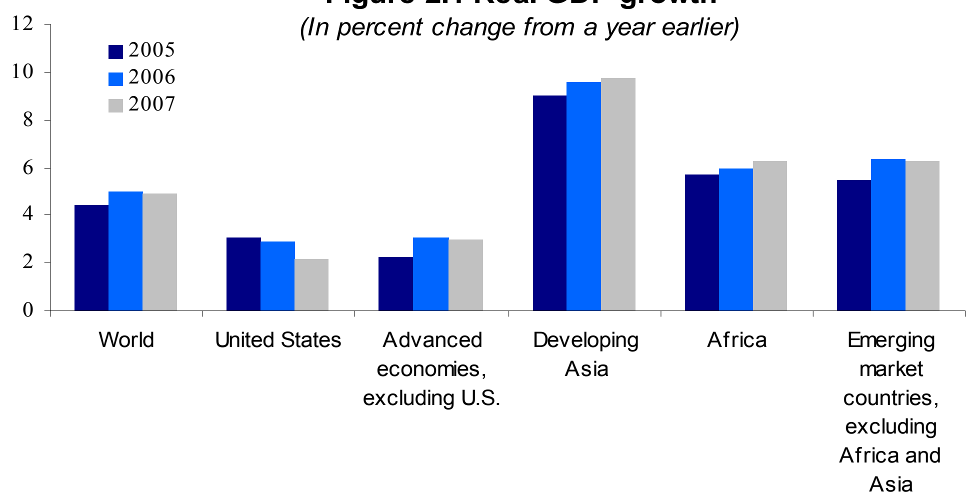
More detail about the Fund's governance, finances, and organization can be found in Chapter 5.

2. Developments in the global economy and financial markets

The course of the global economy in FY2008 was shaped by the interaction of three powerful forces: an escalating financial crisis slowed growth in some of the advanced economies, growth in emerging market and developing economies continued at a brisk pace, and inflationary pressures intensified throughout the world, fueled in part by soaring commodity prices.

Overall, global GDP measured at purchasing power parity (PPP) exchange rates increased by 4.9 percent in 2007—well above trend for the fourth consecutive year (Figure 2.1). From the fourth quarter, however, activity decelerated in the advanced economies, particularly in the United States, where the crisis in the subprime mortgage market affected a broad range of financial markets and institutions. Although growth in emerging market and developing economies also slowed beginning in the fourth quarter of 2007, it remained robust, by historical standards, across all regions.

Figure 2.1 Real GDP growth
(In percent change from a year earlier)



Foreign exchange markets were also affected by developments in financial markets. The real effective exchange rate of the U.S. dollar declined sharply from mid-2007, as foreign investment in U.S. securities was dampened by the weakening of U.S. growth prospects and expectations of interest rate cuts. The currencies of a number of countries that have large current account surpluses—for example, China and oil-exporting countries in the

Middle East—continued to be managed. The main counterpart of the dollar's depreciation has been an appreciation of the euro, the yen, and other floating currencies, such as the Canadian dollar and some emerging market currencies.

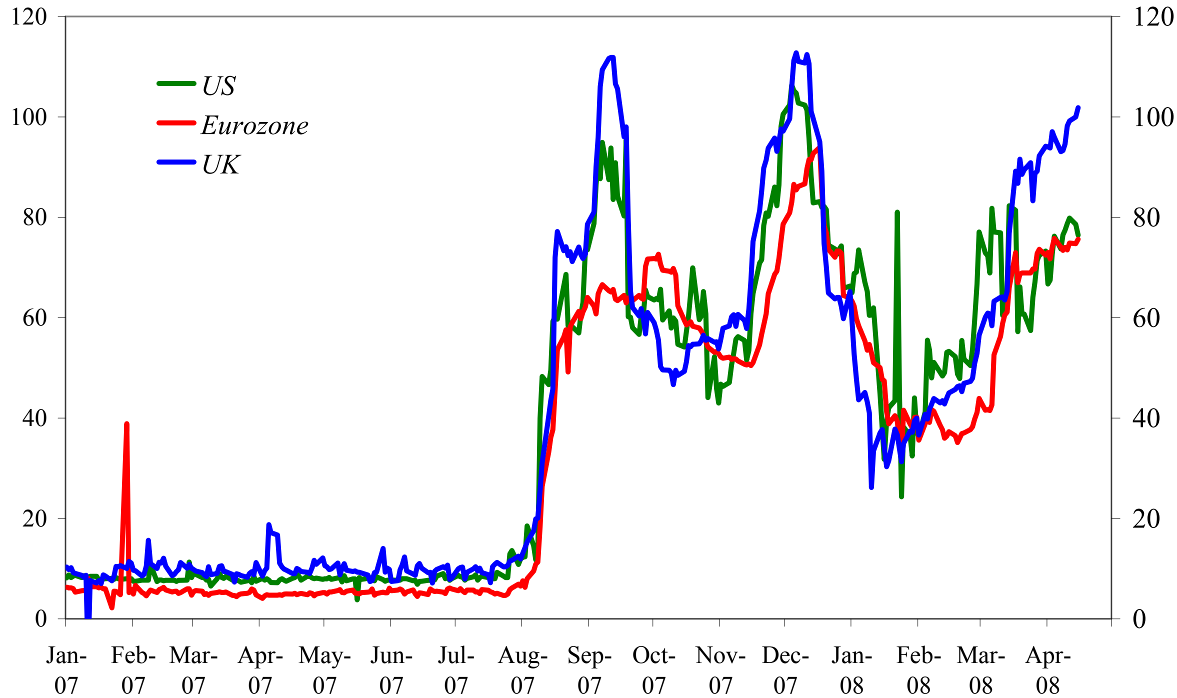
The sharp increase in prices for primary commodities, particularly for food and oil, pushed up headline inflation in virtually all of the Fund's member countries, with spillover effects into core inflation, especially in emerging market economies. Surging food prices have compressed real income, especially in countries for which food represents a larger share of consumption baskets. While oil exporters have benefited from record oil prices, some net oil importers have seen their trade balances deteriorate and growth prospects weaken.

ADVANCED ECONOMIES

Spillovers from the credit deterioration in the U.S. subprime mortgage market led to a full-blown liquidity crisis in term-funding interbank markets in August 2007. By October 2007, key central banks had begun taking aggressive policy actions, including providing liquidity to troubled institutions, that helped calm markets temporarily. However, pressures rekindled and intensified toward the end of 2007 as major financial institutions began to report substantial losses, notably from exposures to securities related to subprime mortgages. Market deterioration was compounded by signs that the U.S. economy was slowing. The crisis continued to spread as systemic concerns were exacerbated by a deterioration of asset credit quality, a drop in the valuation of structured credit products, and a lack of market liquidity accompanying a broad deleveraging in the financial system.

While the United States remained the epicenter of the crisis, financial institutions in other advanced economies were also affected because of exposure to structured credits and—to varying degrees—weaknesses in prudential supervision and in the risk-management systems of financial institutions. In response to unfolding events, major central banks in the United States and Europe began to play a pivotal role in containing systemic risk, providing large-scale access to short-term funding through various existing and newly created facilities as private banks retrenched from interbank markets, and becoming key counterparties in term-funding markets as nonbank financial institutions retreated. Sovereign wealth funds also played an important and timely role in containing market strains, contributing substantial amounts of capital to major financial institutions. Nonetheless, financial systems were still experiencing considerable stress as the IMF's financial year came to a close, with continuing strains in interbank markets, wide credit spreads, and leveraged investors selling assets under illiquid market conditions (Figure 2.2).

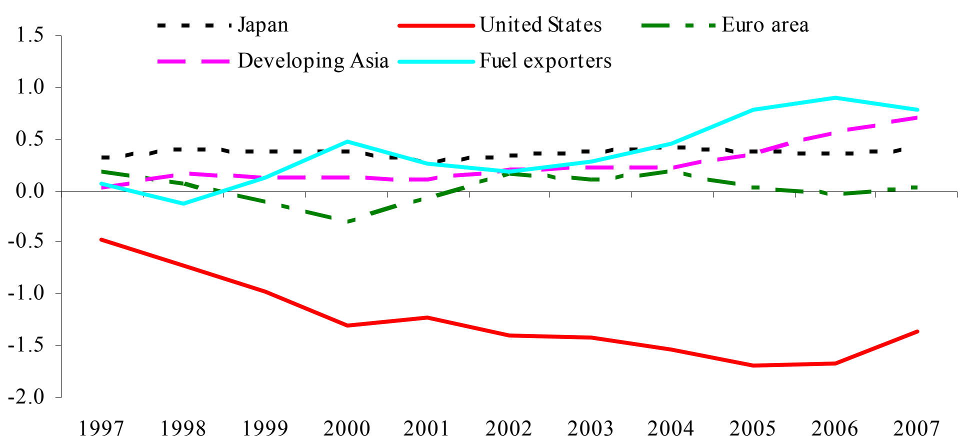
Figure 2.2 Three-month LIBOR spreads to OIS
(In basis points)



Note: OIS denotes overnight index swap.

Central banks in the advanced economies found themselves caught—to different degrees—between rising inflation pressures and slower growth prospects, and striking the right balance depended on country or regional circumstances. A number of central banks eased monetary policy, most dramatically in the *United States,* where the U.S. Federal Reserve lowered the federal funds rate by 300 basis points between August 2007 and April 2008. The pace of activity in the United States declined sharply in the fourth quarter of 2007, and consumption and business investment softened markedly as sentiment soured and lending conditions tightened. Growth in 2007 was only 2.2 percent, down from 3 percent in 2006, and fell further, to about 1 percent, in the first quarter of 2008 as the correction in the U.S. housing market led to a contraction of residential investment and household consumption slowed markedly. Rising oil prices contributed to the dampening of consumption while boosting 12-month headline inflation to more than 4 percent in late 2007 and early 2008. The weakening of growth prospects in the United States relative to its trading partners and expectations of interest rate cuts dampened foreign investment in U.S. securities, putting downward pressure on the dollar. The dollar's depreciation vis-à-vis the euro, the yen, and other floating currencies, such as the Canadian dollar and some emerging market currencies, boosted net exports, the one area of strength in the U.S. economy, and the current account deficit of the United States moderated somewhat, to 5.3 percent of GDP in 2007. (Figure 2.3 shows current account balances for different countries and regions as a percentage of world GDP.)

Figure 2.3 Current account balance
(In percent of world GDP)



For most of 2007 and in early 2008, activity in the *advanced European economies* continued to expand at a robust pace. Strong domestic demand was fueled by steady employment growth and buoyant investment. The euro area as a whole recorded annual economic growth of 2.6 percent in 2007, close to the rapid pace achieved in 2006, while growth in the United Kingdom registered a strong 3.1 percent increase despite strains in the banking sector. In the first quarter of 2008, euro area growth accelerated to almost 3 percent, notwithstanding deteriorating consumer and business sentiment in response to financial sector dislocation, the impact of rising oil prices on real disposable income, euro appreciation, and a weakening export market. The Bank of England responded to weaker growth prospects by lowering interest rates, but the European Central Bank kept policy rates steady.

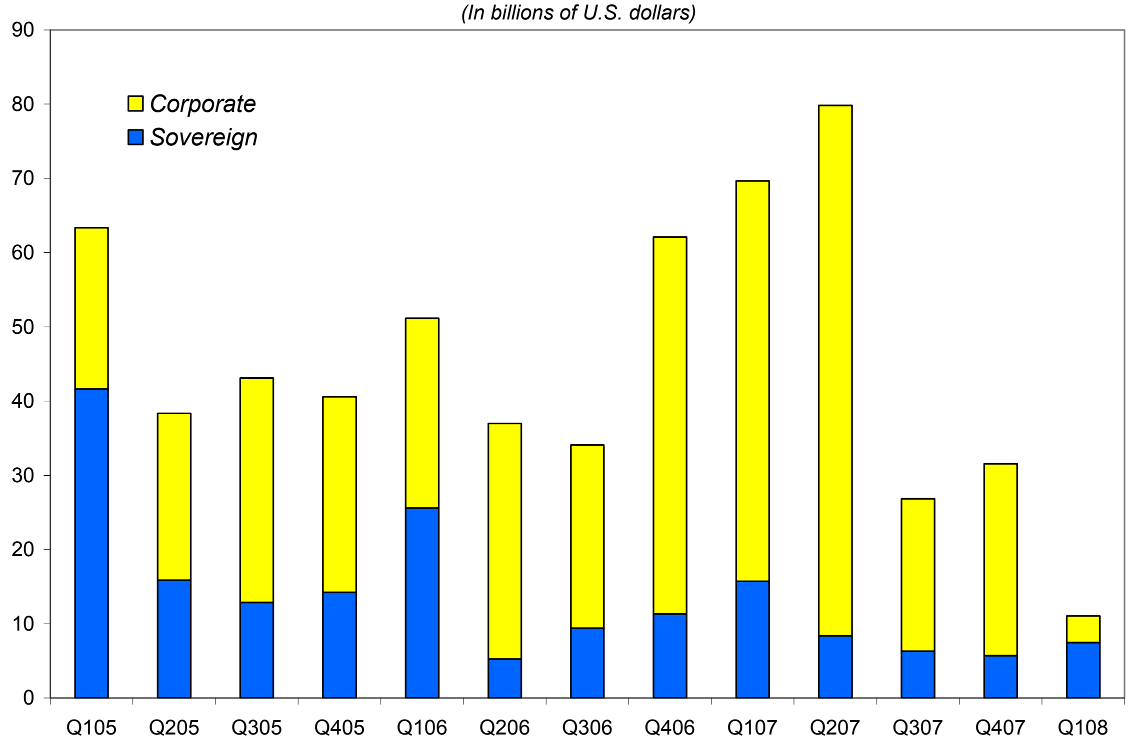
Japan's economy remained largely resilient to the global slowdown through the first quarter of 2008. GDP grew at 2.1 percent in 2007, before accelerating to 3.3 percent in the first quarter of 2008, led by robust net exports and business investment. Japan's external surplus remained large. Business activity appeared to be slowing in the second quarter of 2008, however, and the Bank of Japan kept interest rates steady.

EMERGING MARKET AND DEVELOPING ECONOMIES

Throughout FY2008, financial conditions in most emerging market countries continued to benefit from those countries' improved macroeconomic fundamentals and stronger public sector balance sheets. However, some countries—notably those in emerging Europe[1] where domestic credit growth had been fueled by external funding and large current account deficits needed to be financed—came under market pressure. While emerging market sovereigns remained broadly resilient to the financial turbulence in mature economies, and bank lending continued to be strong through the fourth quarter of 2007, emerging market corporate bond issuance slowed sharply in the third quarter of 2007 and remained subdued in early 2008, while the cost of funding rose (Figure 2.4).

[1]As used in Fund publications, this term includes Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, and Turkey.

Figure 2.4 Emerging market external bond issuance
(In billions of U.S. dollars)



Growth in *emerging Europe* moderated by almost a full percentage point, to 5.7 percent, in 2007 but exceeded growth in the advanced European economies for the sixth consecutive year. In most of the emerging European countries, growth continued to be driven by buoyant domestic demand, which again substantially outpaced production in 2007. As a consequence, the region's overall current account deficit widened to 6.7 percent of GDP. Demand continued to be supported by strong credit growth fueled by capital inflows and—in many countries—vigorous wage growth, as labor market conditions tightened further. Inflation pressures increased, especially toward year-end, because of rising food and energy prices and increasing labor costs. Most central banks in emerging market economies continued to tighten monetary policy in response to building inflationary pressures.

Real GDP growth was sustained at 8.5 percent in the *Commonwealth of Independent States*[2] in 2007, as high commodity prices, expansionary macroeconomic policies, strong

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[2]The group formed in 1991 by 12 of the former Soviet republics: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

capital inflows during most of the year, rapid credit growth, and rising asset prices fueled strong growth in domestic demand.

Growth in *emerging Asia* remained strong throughout 2007, although with some signs of softness, especially in early 2008. External surpluses continued to be large. Growth was led by China, where output expanded by 11.4 percent (year over year) in 2007, driven by consumption, strong investment growth, and net exports. Growth in India slowed modestly, to 8.5 percent (year over year) in the second half of 2007 as consumption cooled in response to tighter monetary policy, although investment continued at a brisk pace. The strength of domestic demand in the region, combined with rising food and energy prices, contributed to a buildup of inflation pressures in a number of countries.

Economic activity in *Latin America and the Caribbean* grew by a robust 5.6 percent in 2007, slightly stronger than in 2006. The U.S. slowdown dampened growth in neighboring Mexico, but growth remained high in Central America and in commodity-exporting South American countries while accelerating markedly in Brazil, amid sustained declines in real interest rates and strong employment. Increased domestic demand has been the main driver of growth in the region. Current account surpluses have declined, and inflation has accelerated, driven by high capacity utilization in some countries and by rising food prices.

Building on the largest period of sustained economic growth since independence, the pace of economic activity in *sub-Saharan Africa* accelerated to 6.8 percent in 2007, led by very strong growth in oil-exporting countries and supported by robust expansion in the region's other economies. In non-oil-exporting countries, activity was boosted by domestic demand and investment in particular, the payoff from improvements in macroeconomic stability and the reforms undertaken in most countries.

Growth in the *Middle East* also remained strong, reaching 5.8 percent in 2007. Although increases in oil production were limited, high world oil prices supported greater government spending in exporting countries and strong expansion of credit to the private sector. Despite the growth of domestic spending and imports, the large current account surpluses in the oil-exporting countries narrowed only slightly—to about 22.8 percent of GDP—as higher oil prices boosted export revenues; the currencies of these countries continued to be pegged or tightly managed. Growth was even stronger in some of the non-oil-exporting countries in the region, spurred by trade, financial spillovers from oil-exporting countries, and domestic reforms. Inflation pressures rose considerably in the Gulf Cooperation Council (GCC)[3] countries because of strong domestic demand, rising food prices, supply constraints in the real estate market leading to higher rents, and interest rate cuts (the latter to match developments in major advanced economies, as required under the GCC countries' pegged exchange rate regimes).

[3]Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

3. Fostering macroeconomic and financial stability and growth through surveillance

Surveillance is at the core of the IMF's mandate. The IMF is responsible, under its Articles of Agreement, for overseeing the international monetary system to identify any vulnerabilities that could undermine its stability. It fulfills this responsibility in part by monitoring the macroeconomic policies of its 185 member countries and providing analysis and policy advice tailored to each member's specific circumstances (referred to as bilateral surveillance) and monitoring economic conditions and developments in international capital markets and assessing the global effects of major economic and financial developments, such as oil market conditions or external imbalances (multilateral surveillance). These activities are supplemented by the Fund's surveillance of regional institutions that conduct monetary and economic policy for groups of countries bound together in formal arrangements, such as currency unions (regional surveillance; see Box 3.1).

Box 3.1 How the Fund conducts surveillance

Bilateral surveillance. When a country joins the IMF, it makes commitments under Article IV of the IMF's Articles of Agreement[1] to pursue policies conducive to orderly economic growth and price stability and to avoid manipulating exchange rates for unfair competitive advantage. It also commits to providing the IMF with accurate and timely data about its economy. The IMF is mandated by Article IV to oversee members' compliance with these obligations, which it does through ongoing surveillance over members' economic policies. In addition to maintaining contact with the national authorities from its headquarters in Washington, D.C., the IMF sends staff teams to each member country once a year, in most cases. (Informal staff visits often take place between these formal visits, known as Article IV consultations.) During an Article IV consultation, the IMF team analyzes economic and financial data and discusses with government and central bank officials economic developments since the previous consultation, as well as the country's exchange rate, monetary, fiscal, and financial sector policies, and other policies with a direct impact on domestic and external stability.[2] The team may also meet with legislators and nongovernmental parties, such as trade unions, academics, and financial market participants. It prepares a summary of its findings and policy advice, which it leaves with the national authorities, who have the option of publishing it. On return to IMF headquarters, the team prepares a report describing the economic situation and the talks with the authorities and evaluating the country's policies that is submitted to the Executive Board for review and discussion. The discussion formally concludes an Article IV consultation, and a summary of the Board's views is transmitted to the country's government. Through this kind of peer review, the global community provides policy advice to each of its members, and the lessons of international experience are brought to bear on national policies. If the member country agrees, the full Article IV consultation report and a Public Information Notice (PIN), which summarizes the Board discussion, are published on the IMF's Web site, in line with the IMF's transparency policy (see Chapter 5).

Through Article IV consultations, the IMF seeks to identify policy strengths and weaknesses, as well as potential vulnerabilities, and advises countries on appropriate corrective actions if needed. Supplementing these systematic and regular Board reviews of individual member countries are frequent informal sessions at which the Board discusses developments in individual countries. On a voluntary basis, countries may also choose to participate in the Financial Sector Assessment Program (FSAP) or to request Reports on the Observance of Standards and Codes (ROSCs) in other areas.[3] Results of these assessments are an important input into surveillance.

Multilateral surveillance. Given the linkages between national economies and financial systems and the international economy and financial markets, the Fund monitors world economic and financial market developments and prospects to help ensure that the international monetary and financial system is functioning smoothly and to identify vulnerabilities that could undermine its stability. Multilateral surveillance is carried out through the Board's reviews of the staff's *World Economic Outlook* (WEO) and *Global Financial Stability Report* (GFSR), which are usually published twice a year. The WEO presents the staff's analysis of global economic prospects and the policies appropriate in different countries, while the GFSR focuses on developments in, and risks confronting, the international financial markets. The Board also holds informal discussions of world economic and financial market developments, and IMF staff continuously monitor developments in mature and emerging financial markets as well as economic developments globally.

Regional surveillance. Bilateral and multilateral surveillance is supplemented by regional surveillance of formal arrangements such as currency unions, whose members have devolved responsibilities over monetary and exchange rate policies to regional institutions, as well as by the preparation of regional economic outlooks that bring together key cross-cutting insights relating to countries with regional ties.

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[1]The IMF's Articles of Agreement can be found at www.imf.org/external/pubs/ft/aa/index.htm.

[2]The Fund's 2007 Decision on Bilateral Surveillance over Members' Policies includes a principle recommending that members avoid exchange rate policies that result in external instability, regardless of the particular purposes of the policies; implied in this principle is that countries have an overarching commitment to pursue policies consistent with external stability.

[3]See CD-Box 3.1, "ROSCs and Data Standards Initiatives," on the CD-ROM.

As financial markets experienced exceptional turbulence, growth slowed dramatically in some of the advanced economies, and world prices for food and oil soared during FY2008, the IMF's Executive Board intensified its efforts to further strengthen and modernize the Fund's surveillance activities.[1] In June 2007, the Board adopted a new, more comprehensive framework for bilateral surveillance, which replaced the framework that had been in place since 1977. In addition, the Board endorsed efforts aimed at achieving a better understanding of the linkages between national economies and the global economy and between financial markets and the real economy, which is essential to restoring confidence in, and stability to, global financial markets and to improving global economic prospects. New initiatives were launched, such as coordinating work on developing voluntary principles for sovereign wealth funds (see below).

The Board also sought to deepen the Fund's understanding of fiscal/financial linkages. It held a seminar in February 2008 to examine how fiscal policy can help countries realize the benefits of globalization and financial deepening (Box 3.2).[2]

Box 3.2 Globalization, financial markets, and fiscal policies

In February 2008, the Executive Board discussed "Globalization, Financial Markets, and Fiscal Policies," a paper prepared by the Fiscal Affairs Department (FAD).[1] The seminar considered how fiscal policy can help countries realize the benefits of globalization and financial deepening.

The impact of globalization on public finances. Executive Directors noted that, despite the general trend toward lower tax rates—for corporate taxes—revenue has been strong until recently. While recognizing that tax competition could be healthy, they pointed out that sustained revenue buoyancy should not be taken for granted and that harmful tax competition could undermine members' revenue. On the expenditure side, globalization could create upward pressure because of demands for more social protection and more investment in human and physical capital. Executive Directors also called for more attention to financial sector contingent liabilities, noting that timely intervention strategies emphasizing preemptive restructuring of at-risk financial institutions could reduce the ultimate fiscal cost, but that such strategies should avoid creating expectations of government bail-outs for financial institutions. On balance, the Board observed that, to the extent that globalization and financial deepening create fiscal pressures, a prepositioning of fiscal policy is warranted. This would not

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[1]In June 2008, the G-8 called on the IMF to work with the International Energy Agency and appropriate national authorities in carrying out further analysis of the real and financial factors behind the surge in oil and commodity prices, the volatility of these prices, and the effect of rising prices on the global economy, and to report its findings at the October 2008 Annual Meetings of the IMF and the World Bank.

[2]See "IMF Executive Board Holds Seminar on Globalization, Financial Markets, and Fiscal Policies, PIN 08/28, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2008/pn0828.htm.

necessarily mean a tighter fiscal policy, but fiscal policy should be flexible and able to respond to pressures by maintaining room for maneuver in revenue and expenditure policies.

Market access. Greater access to external market financing could either strengthen or loosen fiscal discipline. The effect of market discipline on fiscal policy can be enhanced by increased transparency and a credible political commitment to sound fiscal policies. Globalization and financial deepening could improve the ability of countries with sound policies to borrow abroad in domestic currency, and thus increase debt tolerance.

Fiscal policy with higher capital flows. Globalization and financial deepening have both altered the effectiveness of fiscal policy and led to increased capital flows. The stabilizing role of fiscal policy in response to capital inflows depends on country-specific circumstances. If large capital inflows create aggregate demand pressure, and the scope for using monetary policy is limited, fiscal tightening could be appropriate. In some cases, however, adjustment could occur mainly through the real exchange rate or through temporary capital controls, although in these cases fiscal policy can still be useful. A few Directors, however, noted that fiscal policy may not be the best tool for dealing with significant shifts in capital flows, given the long lags in the implementation of fiscal measures.

Spillovers. Globalization magnifies fiscal policy spillovers. Some Directors agreed that these strengthen the case for enhanced international policy cooperation in certain areas, although some other Directors were reluctant to endorse a new mandate for Fund coordination efforts.

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[1]The paper is available on the IMF's Web site, at www.imf.org/external/np/pp/2007/eng/111607a.pdf.

BILATERAL SURVEILLANCE

In FY2008, the Executive Board completed 123 Article IV consultations (see CD-Table 3.1 on the CD-ROM). It also put more emphasis on strengthening the Fund's global perspective and better integrating the findings of the *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR), the Fund's main instruments for multilateral surveillance (see below), in bilateral surveillance, and improving the analysis of linkages between the real economy and the financial sector and spillovers between national economies and the international economy. For example, the April 2008 WEO outlined three lines of defense countries could adopt against the spreading effects of market turmoil—a combination of monetary policy easing, fiscal stimulus, and public funds, as appropriate, can play a complementary role by supporting demand and limiting the negative interaction between financial markets and the real economy—while the October 2007 WEO addressed appropriate policy responses to large capital inflows.[3] The regional dimension is also increasingly informing the Fund's bilateral policy discussions, and selected issues papers and staff reports are placing more emphasis on regional spillovers and cross-country experiences.

Exchange rate surveillance is one of the IMF's key responsibilities. Throughout its existence, the Fund has striven to strengthen its framework for assessing exchange rates, adapting it to underlying macroeconomic and financial developments in member countries. The Executive Board updated its surveillance framework, after a year-long review, on June 15, 2007.[4] The 2007 Decision on Bilateral Surveillance Over Members' Policies is much broader and more comprehensive than the 1977 Decision on Surveillance Over Exchange Rate Policies, which it replaces and which was adopted in the wake of the collapse of the Bretton Woods system.[5] By setting clear expectations, the new Decision should help improve the quality, evenhandedness, and effectiveness of IMF surveillance. It also brings greater clarity and specificity to the issues of which exchange rate policies countries should avoid and when these policies may be of concern to the international community. Some of the highlights of the new Decision are described in Box 3.3.

Box 3.3 The 2007 Decision on Bilateral Surveillance

The new Decision expands on the 1977 Decision in a number of important ways, to clarify the framework of surveillance implied by the Articles of Agreement (and thus without creating new obligations for members):

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[3] The WEO is available on the IMF's Web site, at www.imf.org/external/pubs/ft/weo/2007/02/index.htm. Although private capital inflows can result in long-term benefits if put to good use, they may pose significant risks to macroeconomic stability. The appropriate policy response to large capital inflows depends on country-specific circumstances and the nature of the inflows. The most robust lesson to emerge from a comprehensive cross-country analysis of policy responses over the past two decades is that keeping government spending on a steady path—rather than engaging in excessive spending during periods of heavy capital inflows—can help mitigate the adverse effects of large inflows.

[4] See "IMF Executive Board Adopts New Decision on Bilateral Surveillance Over Members' Policies," PIN 07/69, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0769.htm. The Decision can also be found on the CD-ROM and on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0769.htm#decision.

[5] Under the Bretton Woods system, which was established in 1944, central banks of countries other than the United States agreed to maintain fixed exchange rates between their currencies and the dollar, which was convertible into gold at the fixed price of $35 an ounce. The Bretton Woods system collapsed in 1971 when the United States ended the trading of gold at the fixed price.

- Introducing, as an organizing principle for bilateral surveillance, the concept of external stability, which encompasses both the current and the capital accounts of the balance of payments.
- Specifying the essential modalities of effective surveillance, including its collaborative nature, the importance of dialogue and persuasion, and the need for candor and evenhandedness, and emphasizing the importance of paying due regard to country circumstances and the need for a multilateral and medium-term perspective.
- Clarifying the concept of exchange rate manipulation to gain an unfair competitive advantage over other members, which is prohibited under Article IV of the Fund's Articles of Agreement, and relating such behavior to the concept of fundamental exchange rate misalignment.
- Providing more complete guidance to members for the conduct of their exchange rate policies so as to cover all such policies that may cause external instability, regardless of their particular purpose, as well as to the Fund in its conduct of surveillance.

The Executive Board endorsed the staff's definition of fundamental exchange rate misalignment but underscored the need for appropriate caution in applying it, stressing that it should be used with due acknowledgment of the considerable measurement uncertainties involved, and that estimates of misalignment require the exercise of careful judgment. In practice, an exchange rate would be judged to be fundamentally misaligned only if the misalignment were found to be significant, and the benefit of any reasonable doubt would be given to the authorities in establishing whether there is fundamental misalignment. The Board also noted that any judgment on misalignment should be applied in an evenhanded manner regardless of the nature of the exchange rate regime and the size of the economy, and a number of Directors emphasized the potential market sensitivity of estimates of misalignment and the need for care in communicating them.

Key operational aspects in implementing the 2007 Decision are being clarified, including through an exchange of views among Executive Directors on the concepts and methodologies for assessing external stability, analyzing exchange rates and current account positions, and assessing exchange rate policies, and the Surveillance Guidance Note for staff is expected to be updated in FY2009.[6] In an informal seminar at the end of FY2008, the

[6]The Surveillance Guidance Note (issued in May 2005) provides guidance to IMF staff on the conduct of bilateral surveillance, in light of its evolution over time and the conclusions of the 2004 Biennial Surveillance Review. The note covers both the content (in particular, the choice of issues to be addressed in an Article IV consultation and the quality of coverage of topics that have received particular attention in Board reviews of surveillance) and the modalities of surveillance. It also provides guidance on the treatment in Article IV consultations of matters related to Articles VIII and XIV that concern restrictions on payments and transfers for current international transactions and multiple currency practices. In addition, the note provides guidance on the

(continued)

Board began to review the system and methodology used to classify member countries' de facto exchange rate arrangements to clarify the definitions of the various categories and establish more operational and unambiguous criteria for their application. These discussions will inform this year's *Annual Report on Exchange Arrangements and Exchange Restrictions* (AREAER), which has been published by the Fund since 1950. Prepared in consultation with member country authorities, but reflecting the staff's independent judgment, the AREAER provides a comprehensive description of the exchange rate arrangements, exchange restrictions, controls on capital flows, and other foreign exchange measures of all IMF members.[7]

Complementing the efforts of the Executive Board and the Fund's management and staff to take stock of the effectiveness of surveillance, the IMF's Independent Evaluation Office (IEO) completed an evaluation in FY2007 of the IMF's exchange rate policy advice to member countries from 1995 to 2005. At the Board's discussion of the evaluation in May 2007, Executive Directors broadly endorsed the IEO's conclusion that the Fund should aim at enhancing the effectiveness of its analysis, advice, and dialogue with member countries, as well as address any perception of asymmetry in its exchange rate surveillance. Most Executive Directors concurred with the IEO's finding that the rules of the game for exchange rate surveillance remain unclear in some important areas. Over the review period, there had been problems in implementing various aspects of existing policy guidance, and most Executive Directors agreed that there remains scope for improvement in several areas, including the quality of analysis of exchange rate levels and incorporation of the analysis of policy spillovers into regional and bilateral surveillance. They also agreed with the IEO recommendation that Fund management should ensure that exchange rate work across the Fund is organized and managed effectively, in tandem with ongoing work to integrate financial sector issues into Fund surveillance, and they encouraged further strengthening of the existing coordinating mechanisms (including the Surveillance Committee and the

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treatment of other issues that are not legally part of surveillance under Article IV but, per guidance from the Executive Board, are to be raised in the context of Article IV consultations. Members have no obligation under Article IV surveillance to provide information or to pursue specific policies in these areas.

[7] Appendix II, "Financial operations and transactions," to this Report contains a brief summary of members' exchange rate regimes in Table II.9, "De facto classification of exchange rate regimes and monetary policy framework." The Appendix can be found on the CD-ROM and on the IMF's Web site, at www.imf.org/external/pubs/ft/ar/2008/eng/index.htm.

Consultative Group on Exchange Rate Issues (CGER; see below)). Most Executive Directors emphasized that the Fund's management is responsible for providing the Executive Board with all the information that it needs to conduct surveillance and is accountable to the Executive Board for how it combines this duty with the need for the Fund to serve as a confidential advisor to members.

Based on the IEO recommendations endorsed by the Board, staff and management prepared an implementation plan, which the Board discussed in September 2007 (see Chapter 5).[8] Executive Directors noted that the centerpiece of the implementation plan was, appropriately, the 2007 Decision on Bilateral Surveillance, and that strengthening work related to exchange rate issues would have to be carried out primarily in the context of Article IV consultations. Many Executive Directors agreed that strengthening the methodology and expanding the work of the CGER would provide important input to the Fund's exchange rate work, although a number cautioned that significant technical limitations would continue to exist in estimating equilibrium exchange rates.

Since the mid-1990s the CGER has provided exchange rate assessments for a number of advanced economies from a multilateral perspective, with the aim of informing the country-specific analysis of the IMF's Article IV staff reports and fostering multilateral consistency. These assessments are additional tools at the disposal of the IMF staff country desks, which are responsible for formulating exchange rate assessments as part of the Fund's bilateral surveillance. The role of exchange rates in the external adjustment process is increasing as the world economy rapidly becomes more integrated. During the past 15 years, world trade and international financial integration have grown very rapidly, with the ratio of world trade to world GDP increasing by over 40 percent and the ratio of international financial cross-holdings to world GDP more than doubling. Emerging market countries have contributed significantly to these developments, as is evidenced by the increase in their share of world trade—from 27 percent in 1990 to 40 percent in 2006—as well as by their importance in international capital flows. Accordingly, the Fund has extended its CGER

[8]See "IMF Executive Board Discusses Implementation Plan Following IEO Evaluation of the IMF's Exchange Rate Policy Advice, 1999–2005," PIN 07/119, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn07119.htm.

methodologies, which can help gauge the consistency of current account balances and real effective exchange rates with their underlying fundamentals, to cover about 20 emerging market countries.[9]

MULTILATERAL SURVEILLANCE

To assist and inform policymakers and the public, the Fund has introduced greater continuity in its multilateral surveillance work, for example, with formal quarterly updates of WEO forecasts and a quarterly financial stability note, to complement its two major vehicles for multilateral surveillance, the WEO and the GFSR, which are published twice a year. It has also deepened its analysis of macro-financial linkages, exchange rates, and spillovers, especially from advanced economies and markets.

World Economic Outlook

In its September 2007 discussion of the *World Economic Outlook* (WEO),[10] the Executive Board acknowledged that after strong economic growth in the first half of 2007, the global outlook had become exceptionally uncertain and underscored the importance of sound policies and continued vigilance. In its March 2008 discussion, the Executive Board agreed that global growth prospects for 2008 had deteriorated markedly since the January 2008 WEO Update. Executive Directors discussed global economic developments and prospects against the background of exceptional uncertainties about the likely duration and cost of the financial crisis that had spread far beyond the U.S. subprime mortgage market. Growth had slowed in the advanced economies in the face of tightening financial conditions but remained strong in the rapidly globalizing emerging economies. Executive Directors emphasized that the still unfolding events in financial markets posed the greatest risk to the outlook. Many Directors still saw a positive momentum driven by the potential strength of domestic demand in fast-growing emerging economies, while recognizing these economies' exposure to negative external risks through both trade and financial channels. Executive Directors also

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[9]In April 2008, the Fund published a paper describing these methodologies, *Exchange Rate Assessments: CGER Methodologies,* as Occasional Paper No. 261. See www.imf.org/external/pubs/cat/longres.cfm?sk=19582.0.

[10]The full summings up of the Board's discussions of the October 2007 and April 2008 WEO can be found on the CD-ROM as well as in the reports themselves, which are available on the IMF's Web site. See www.imf.org/external/ns/cs.aspx?id=29 for links to different issues of the WEO as well as the updates.

cautioned that risks related to inflationary pressures and the oil market had increased as commodity prices soared in the context of continued tight supply-demand conditions as well as of growing investor interest in commodities as an asset class and other financial factors. A number of Directors also saw a continued risk of a disorderly unwinding of global imbalances despite the recent depreciation of the U.S. dollar against other flexible currencies and the narrowing of the U.S. current account deficit.

Against this backdrop, Directors underscored that policymakers around the world faced a fast moving set of challenges. The key priorities in the advanced economies were dealing effectively with the financial crisis and countering downside risks to growth while taking account of inflationary pressures and the need to preserve longer-term fiscal sustainability. The challenge for many emerging and developing economies was controlling inflationary pressures while ensuring that strong domestic demand did not lead to a buildup of vulnerabilities. A number of these economies were already facing a fallout from the slowdown in the advanced economies, and an intensified or prolonged global slowdown would require judicious responses from their policymakers. The Board considered that ensuring the consistency of policy approaches across countries in these difficult global conditions would be important.

More generally, Executive Directors welcomed the ongoing consultations among countries, especially by the monetary authorities of the advanced economies with each other and with international bodies such as the IMF and the Financial Stability Forum (FSF), in dealing with the present financial turmoil. Joint efforts could prove more effective than individual efforts in bolstering confidence and demand. Executive Directors agreed that the Fund was uniquely placed for adding a multilateral perspective to policy responses to the current crisis, providing a forum for discussion and exchanges of views, and promoting consistency of national policies and assessing their spillovers in an increasingly integrated global economy.

Global Financial Stability Report

At their March 2008 discussion of the *Global Financial Stability Report* (GFSR),[11] Executive Directors noted that global financial stability had deteriorated markedly since their discussion of the October 2007 GFSR, which had also focused on financial market turbulence, as the deterioration in the U.S. subprime mortgage market had been followed by severe dislocations in broader credit and funding markets, posing risks to the macroeconomic outlook in the United States and globally. Policymakers' immediate priorities were to reduce uncertainty, mitigate risks to the global financial system, and restore confidence. The Board underscored that, in carrying forward the recommendations in the GFSR, directed at both the public and the private sectors, careful attention should be paid to sequencing and prioritization, to country circumstances, and to coordination among the relevant international and national agencies. It emphasized the role of the Fund in contributing to these efforts, working alongside national and international institutions and bodies.

Executive Directors generally supported the GFSR's finding that markets and investors, the official sector, and monetary authorities had collectively failed to appreciate the extent of leverage taken on by a wide range of financial institutions, and the associated risks of a disorderly unwinding. Private sector risk management and disclosure, and financial sector supervision and regulation all lagged behind rapid financial innovation and shifts in business models, and continuing uncertainty over the size and spread of losses had elevated systemic risks. Potential losses could be sizable, and financial institutions should move quickly to repair their balance sheets by raising equity and medium-term funding.

The resilience demonstrated by emerging markets and developing countries could yet be tested by rising costs, tighter external funding conditions, or a reversal of the recent commodity price boom. A protracted weakening of growth in the advanced economies or a broadening of the problems in financial markets could also have an adverse impact on emerging markets, depending on country circumstances, for example, by increasing the vulnerability to potential capital outflows of those emerging economies that are particularly dependent on advanced economies' direct investments.

[11]The full summings up of the Board discussions of the October 2007 and April 2008 GFSR can be found on the CD-ROM as well as on the IMF's Web site. See www.imf.org/external/pubs/ft/GFSR/index.htm.

It was recognized that a sound understanding of the valuation and accounting of structured finance products was important for comprehending the depth and extent of present financial market instability. The Board noted that there were incentives to rely heavily on short-term wholesale funding to support these longer-term, illiquid structured products. It was also suggested that the rating agencies should review the quality of their methodologies. Executive Directors generally welcomed the prompt and innovative actions of central banks to inject liquidity into the banking system to keep interbank markets functioning smoothly and agreed that the financial turmoil has highlighted the need for central banks to consider more carefully their roles regarding financial stability and monetary policy implementation, noting that these roles were becoming more intertwined. While the authorities in individual countries are moving to stem the effects of disorderly financial market conditions, the Fund should, in coordination with other multilateral bodies such as the FSF as well as with national agencies, play a larger role in international forums to influence policy.

Multilateral consultation

In FY2007, the Fund launched a new vehicle—the multilateral consultation—for the purpose of fostering cooperation among appropriate groups of countries in addressing challenges to the global economy and individual members. The IMF’s first multilateral consultation gave its five participants—China, the euro area, Japan, Saudi Arabia, and the United States—a forum for discussing global imbalances and how best to reduce them while sustaining robust global growth. In FY2008, the Board reviewed its experience, concluding that the multilateral consultation discussions have helped deepen agreement on a coherent medium-term approach that identified measures that should gradually reduce imbalances over time while supporting global growth; have been beneficial from a regional and international perspective; and have strong ownership. The participants’ individual statements of policy intentions, while not as ambitious as the Fund advised in the context of Article IV consultations and the WEO, still constituted significant steps forward and, once implemented, should contribute substantially toward reducing imbalances over the medium term. Moreover, the publication of these policy intentions has provided a valuable roadmap for the future. Executive Directors recommended that the Fund continue to play an active role in monitoring progress, and this has been done in individual Article IV reports on the relevant members.

Executive Directors considered that the multilateral consultation approach is a useful instrument for enhancing and deepening Fund multilateral surveillance. They noted that the multilateral consultation had two unique aspects: voluntary participation of a limited number of participants that were possible major contributors to a solution to imbalances, and a framework wherein the voice of the entire international community could be heard through the Executive Board and through the International Monetary and Financial Committee (IMFC).[12] These features, together with uncertainty as to what future problems might need to be addressed, warrant retaining flexibility with respect to the operational modalities going forward.[13]

REGIONAL SURVEILLANCE AND OUTREACH

Since members of currency unions have devolved responsibilities over monetary and exchange rate policies—two central areas of Fund surveillance—to regional institutions, the IMF holds formal discussions with representatives of these institutions in addition to its Article IV consultations with the unions' individual members. During FY2008, the IMF's Executive Board discussed developments in the Central African Monetary and Economic Union (CEMAC), the Eastern Caribbean Currency Union (ECCU), and the euro area.[14]

Currency unions

CEMAC. Macroeconomic conditions in the CEMAC were highly favorable at the time of the Board discussion, which took place in June 2007,[15] in large part because of sustained high oil prices. Nonetheless, in terms of growth, the region had fallen behind the rest of sub-Saharan Africa, there was little trade and financial integration, dependency on oil revenues had

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[12]The IMFC is an advisory body to the IMF's Board of Governors. It is composed of 24 Governors (or their alternates). See Box 5.3 for more detail on the IMFC's composition and activities.

[13]See "IMF Executive Board Discusses Multilateral Consultation on Global Imbalances," PIN 07/97, and "Staff Report on the Multilateral Consultation on Global Imbalances with China, the Euro Area, Japan, Saudi Arabia, and the United States," on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0797.htm. and www.imf.org/external/np/pp/2007/eng/062907.pdf, respectively.

[14]It discussed developments in the West African Economic and Monetary Union (WAEMU) early in FY2009.

[15]See "IMF Executive Board Concludes 2007 Discussion on Common Policies of Member Countries with CEMAC," PIN 07/81, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0781.htm. The members of CEMAC are Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon.

increased, and deep-seated structural impediments to economic diversification remained. These problems need to be addressed urgently if the region is to achieve the Millennium Development Goals (see Chapter 4). The Board thus welcomed the recent reform package adopted by the CEMAC Heads of State, which is intended to strengthen regional institutions and advance the integration process.

ECCU. In its February 2008 discussion, the Executive Board welcomed the ECCU's strong economic performance, characterized by robust growth and generally low inflation. Observing that the region continues to face significant challenges nonetheless, it supported the focus on policies aimed at sustaining growth and building resilience by enhancing competitiveness and economic diversification. The Board also underscored the need to accelerate fiscal consolidation, avoid distortions in tax systems, and control spending. It commended the progress made in enhancing the regulatory framework for the banking system and the financial sector more broadly, and recommended continued efforts to strengthen the risk-based supervisory framework. Executive Directors supported the renewed momentum toward economic integration and noted that liberalizing capital and labor flows should play an important role in allowing the region to benefit more fully from globalization. Since data weaknesses remain a key constraint on effective policymaking and surveillance, Executive Directors encouraged the national and regional authorities to bolster statistical practices and data management.[16]

Euro area. In their discussion of euro area policies in July 2007,[17] Executive Directors welcomed the euro economy's move from recovery to upswing. They expected real GDP growth to remain above potential for the near term and employment gains to stay healthy thanks, in part, to reforms of labor markets and welfare systems. However, with rising resource utilization, inflationary pressures could be expected to build gradually and some further monetary policy tightening might be required. Executive Directors considered the external position of the euro area to be roughly in balance and the real effective exchange

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[16]The ECCU's members are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. See "IMF Executive Board Concludes 2007 Discussion on Common Policies of Members of the Eastern Caribbean Currency Union," PIN 08/12, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2008/pn0812.htm.

[17]See "IMF Executive Board Discusses Euro Area Policies," PIN 07/89, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0789.htm.

rate of the euro to be trading within range of the medium-term equilibrium. They welcomed the broad-based structural reforms under way and underscored that their continued implementation, in line with the authorities' commitments under the multilateral consultation (see above), would help strengthen prospects for an orderly resolution of global current account imbalances. Looking forward, population aging was likely to prompt a significant slowing of potential growth; thus, the fundamental challenge in the region is achieving a joint structural acceleration of productivity and labor force participation. Executive Directors emphasized the need for prompt implementation of the Markets in Financial Instruments Directive and welcomed steps to integrate national payments and securities clearing and settlement systems as well as ongoing work to facilitate cross-border bank mergers and acquisitions.

Other regional surveillance initiatives and outreach

The Fund has taken steps in the past few years to expand and strengthen its regional work. Some area departments have created units dedicated to regional issues as well as department-wide working groups on cross-cutting issues. For example, working groups in the African Department are studying such issues as the scaling up of aid, natural resource management, and the development of domestic debt markets; in the European Department, large cross-border capital flows, rapid credit growth, the implications of financial integration for growth and supervision, the use of EU funds by new member states, the competitiveness of the Mediterranean countries, and vulnerabilities in southeastern Europe; and in the Western Hemisphere Department, issues related to the financial sector, monetary and exchange rate policy, pensions, and oil and natural resources. The Fund's Regional Office for Asia and the Pacific, which is located in Tokyo, contributes to research and outreach on regional surveillance.

In addition, the IMF's five area departments now produce *Regional Economic Outlooks* (REOs) twice a year. Publication of the REOs is followed by extensive outreach events—such as seminars for government officials and academics, media briefings, and interviews of IMF officials—in several countries in each region. Press releases summarizing REO findings are posted on the IMF's Web site along with the full text of the REOs themselves, as well as transcripts and webcasts of press conferences held upon publication of the REOs.[18]

The IMF also organizes and participates in various regional forums. In June 2007, for example, the IMF participated in the Sixth Annual Regional Conference for Central America, which brought together ministers of finance, central bank governors, and financial sector superintendents from Central America, Panama, and the Dominican Republic to discuss two major regional projects—the consolidation of supervision of regional financial conglomerates and fiscal coordination, including the establishment of a customs union for Central America—as well as the development of equity and private debt markets and fiscal policies to support economic and social stability. In October 2007, IMF staff and the Honduran authorities held a regional workshop on medium-term expenditure frameworks. The workshop was attended by budget officials from Central America, the Dominican Republic, and Panama, and speakers from the IMF, the World Bank, the Inter-American Development Bank, Colombia, and Spain. In November 2007, the IMF's Western Hemisphere Department organized a conference on economic and financial linkages in the Western Hemisphere. A regional seminar on globalization and taxation, involving finance ministers and senior officials from 13 African countries, was held in February 2008 in Nigeria; a high-level seminar on African finance was held in Tunis in March 2008 (see Chapter 4). The IMF also participated in the April and September 2007 meetings of the Trade

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[18]The REOs can be accessed at www.imf.org/external/pubs/ft/reo/reorepts.aspx. Materials related to the REOs published in FY2008 can be found on the CD-ROM or on the IMF's Web site. See, for example, the transcripts of the press briefings following the publication of the October 2007 and April 2008 REOs for Asia and the Pacific, at www.imf.org/external/np/tr/2007/tr071019.htm and www.imf.org/external/np/tr/2008/ tr080411a.htm, respectively; and the following press releases: "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, www.imf.org/external/np/sec/pr/2007/pr07252.htm; "IMF Regional Economic Outlook for Europe Sees Slower Growth; Explores Challenges Policymakers Face in Seeking to Limit the Impact of Financial Turbulence," PR No. 08/89; "IMF Sees Continued Strong Growth, but also Heightened Policy Challenges for Latin America and the Caribbean in 2008," PR 07/249, www.imf.org/external/np/sec/pr/2007/ pr07249.htm; "IMF Sees Latin America and the Caribbean Region Resilient So Far, But Risks Ahead," PR 08/83, www.imf.org/external/np/sec/pr/2008/pr0883.htm; "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, www.imf.org/external/np/sec/pr/2007/pr07241; "IMF Regional Economic Outlook for the Middle East and Central Asia Sees Sustained Growth, Highlights the Need to Contain Inflationary Pressures**,** PR 08/104; "Sub-Saharan Africa: Regional Economic Outlook," PR 07/237, www.imf.org/external/np/sec/pr/2007/pr07237.htm; and "Sub-Saharan Africa Spring 2008 Regional Economic Outlook: Growth Expected to Remain Robust but Global Developments Cloud Prospects," PR 08/86, www.imf.org/external/np/sec/pr/2008/pr0886.htm.

Policy Coordination Committee of the Central Asia Regional Economic Cooperation program, held in Manila; the annual meeting of the finance ministers and central bank governors of the Gulf Cooperation Council, held in Jeddah in October 2007; and a conference on the role of the private sector in economic development and regional integration in the Maghreb, held in Tunis in November 2007.

In June 2007, the IMF held a policy seminar on financial integration in the Nordic-Baltic region, at which IMF staff and Executive Directors, the European Central Bank representative to the IMF, and academics discussed an IMF study of the arrangements for cross-border oversight and crisis management. The study highlights gaps that may have arisen as a result of growing financial integration in the region. Since financial integration is also increasing in Europe as a whole, and most countries in the Nordic-Baltic region are bound by the European regulatory framework, addressing these challenges may need to be considered in this broader European-wide context.[19]

As part of its initiative to hold periodic seminars on economic developments and prospects in the Caribbean, the Board held its first such seminar in September 2007.[20] Executive Directors noted that the historically open nature of the Caribbean economies had served them well, enabling them to achieve relatively high per capita income levels. The macroeconomic performance of the region had been favorable in recent years, and its commitment to social development and equitable growth has contributed to notable progress in health care, education, and poverty eradication. Nonetheless, the region is vulnerable because of its limited economic diversification; persistent, large current account deficits; large public debt; and exposure to natural disasters—hurricanes, in particular. Executive Directors welcomed the initiative to establish the Caribbean Single Market and Economy, increased regional cooperation being key to enabling the Caribbean countries to make the most of globalization, and considered that closer integration of the Caribbean's still largely segmented financial markets could boost growth. They noted that the Caribbean countries'

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[19]The paper, "Financial Integration in the Nordic-Baltic Region: Challenges for Financial Policies," is available on the IMF's Web site, at www.imf.org/external/np/seminars/eng/2007/nordbal/pdf/0607.pdf.

[20]See "IMF Executive Board Discusses Selected Regional Issues in the Caribbean," PIN 07/124, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn07124.htm.

heavy reliance on tax incentives to attract investors was costly in terms of forgone revenues and recognized that the erosion of preferential access to European markets for bananas and sugar would entail significant losses for several countries in the region. Directors also emphasized the importance of timely disbursement of aid and concessional assistance in support of countries' adjustment and restructuring efforts.

FINANCIAL SECTOR SURVEILLANCE

The Fund has been strengthening its financial sector surveillance work at the bilateral, multilateral, and regional levels, on an ongoing basis, working on the development of analytical tools for assessing financial sector stability, both at the institutional level and system-wide, and quantitative analytical methodologies for identifying, measuring, and assessing the impact of financial sector credit and liquidity risks and improving stress testing. These tools have already been applied in the Fund's work, in particular in the context of financial sector assessment programs (FSAPs). Initiatives in FY2008 included analytical and policy-related work on the impact of the financial crisis that began in mid-2007 on economic activity; more emphasis on macro-financial linkages in the conjunctural sections of the WEO; greater focus on financial sector analysis in Article IV consultations and continued emphasis on FSAPs; internal training on financial sector issues; data collection initiatives that focus on the position of financial institutions vis-à-vis other sectors and the associated risks; and analytical and empirical work on how financial and real sector reforms complement each other. Fund staff continued to collaborate with the FSF and its working groups, as well as to consult with the private sector, regulators and national authorities, standard setters, and other bodies.

Assessment of financial crisis and recommendations

In its October 2007 Communiqué, the IMFC asked the Fund to reflect on the underlying causes of, and policy lessons from, the turmoil that erupted in financial markets in August 2007. In response, five working groups in the IMF's Monetary and Capital Markets Department, in close cooperation with the relevant FSF working groups and other stakeholders, studied the structural causes of the ongoing crisis and drew up a set of recommendations of a medium-term nature. Their findings were discussed by the Board in

April 2008 and are summarized in Box 3.4.[21] The shorter-term policy responses that may be required to help manage and mitigate the crisis are discussed in the April 2008 GFSR (see above).

Box 3.4 Summary of MCM working group policy recommendations

Findings	**Lessons and recommendations**
Risk-management practices	
Risk management practices in many financial institutions reflected shortcomings of both judgment and governance. Institutions relied too heavily on model-based strategies that were based on limited historical data, without due regard for their limitations. Hedging strategies were overly concentrated and, especially in the case of structured financial products, inadequate attention was paid to tail and liquidity risks.	Risk managers should challenge aggressively the assumptions underlying risk-management and pricing models and scrutinize their firms' risk profile, including hedging strategies, counterparty risk, and possible second-round effects from market shocks. Senior managers need to ensure that internal governance structures are robust and that information and decision-making responsibilities are well defined and appropriate. Supervisors need to take a more active role in monitoring risk management and encourage more rigorous stress testing, especially during good times. Regulators may wish to consider whether the opacity and complexity of structured credit products such as ABS CDOs (collateralized debt obligations consisting of portfolios of bonds of asset-backed securities) undermine market discipline and require prudential or other measures, while guarding against the risk of overregulation.
Valuation, disclosure, and accounting	
The accounting treatment of structured	Supervisors should ensure that financial institutions

[21]See "The Recent Financial Turmoil—Initial Assessment, Policy Lessons, and Implications for Fund Surveillance," the paper discussed by the Board, which can be found on the CD-ROM as well as on the IMF's Web site, www.imf.org/external/np/pp/eng/2008/040908.pdf.

products and shortcomings in valuation models and financial reporting contributed to the depth and duration of the crisis.

develop robust pricing, risk-management, and stress-testing models. Consideration should be given to raising prudential norms (for example, capital buffers) for structured financial products.

Supervisors should promote better internal processes within regulated entities for managing valuation-modeling risk.

Cross-border convergence of accounting and regulatory standards, as well as of bank disclosure requirements, should be sought, especially where global financial institutions are involved. Disclosure of off-balance-sheet holdings, SIVs (structured investment vehicles), and conduits should be enhanced.

Steps could be taken to improve price discovery and liquidity of hard-to-value securitized instruments—for example, greater standardization and development of a centralized registry.

Credit-rating-agency practices

Credit-rating methodologies failed to capture the risks embodied in structured products. Investors in structured products relied too heavily on ratings and did not appreciate the products' vulnerability to sharp price changes and multiple-notch downgrades.

Credit rating agencies should improve rating methods and practices. At a minimum, they should introduce differentiated ratings for structured products, disseminate information on the susceptibility of the ratings of such products to downgrades, and disclose more information about rating methodologies.

Approval and licensing procedures could be used to reduce potential conflicts of interest in the credit-rating industry and spur improvements in transparency and the disclosure of rating methodologies.

National authorities and the major international standard setters should review the use and effectiveness of credit ratings in prudential regulation, especially in light of

	possible changes to the ratings scales applied to structured products.
Supervision and crisis management	
Consolidated supervision was inadequate, and supervisors did not adequately account for the risks associated with new financial instruments, nor did they address deterioration in underwriting standards. Gaps in crisis-management and bank-resolution frameworks were also exposed.	The Basel II framework will permit a more risk-sensitive approach to supervision, and countries with internationally active banks will need to adopt it quickly. But the transition to Basel II will need to be carefully managed since partial or incomplete implementation would pose risks; the application of capital floors may need to be extended; and particular attention should be paid to the impact analysis from the parallel run period.
	Supervisory practices, such as the frequency of on-site supervision and the use of external auditors, need to be strengthened, and supervisors need to be given adequate resources to perform their duties effectively.
	Consolidated supervision and prudential reporting should be applied to off-balance-sheet entities, with more attention to reputational risks and contingent liabilities.
	Bank-resolution and deposit-insurance frameworks need to be strengthened, and interagency coordination needs to be more effective. Central banks should remain well informed and involved.
	Minimum underwriting and consumer-protection standards should apply to all financial intermediaries to limit excessive risk taking and regulatory arbitrage.
Central bank liquidity	
Shortcomings in existing emergency-liquidity frameworks led to disruptions in interbank markets and exacerbated the turmoil.	Central banks need to be able to lend to a sufficiently broad set of counterparties and accept a sufficiently broad range of collateral while avoiding excessive counterparty/credit risk.

Care is needed to avoid unduly stigmatizing the use of central bank liquidity.

There would be merit in improving collaboration among central banks, including by establishing a more permanent set of emergency swap lines to address problems of liquidity in foreign currency, and in seeking greater convergence in operational frameworks.

Even though the turmoil in financial markets was still evolving at the close of FY2008, and consensus on the appropriate policy responses was still emerging, the Fund's surveillance has already responded. Recent developments suggest there is scope to sharpen surveillance and policy advice in the following areas:

- In its dialogue with supervisors and regulators, the Fund should seek to ensure that risk-management practices in financial institutions are adequate, especially with regard to complex structured finance products, and that stress testing by both private sector institutions and supervisors is robust.
- Many of these issues are also relevant to the Fund's dialogue with central banks. In countries where central banks do not have supervisory functions, it is particularly important to assess the degree of cooperation with banking supervisors and arrangements for coordinated action and early intervention in the event of financial sector stress.
- The Fund should pay special attention to the authorities' stress-testing and bank-resolution frameworks in emerging market countries, especially those that have either large current account deficits financed by debt-creating flows or financial sectors dominated by banks from mature markets or both. Although emerging market countries have thus far proved resilient to the turmoil in financial markets, the risk of contagion is significant in countries with these characteristics.

Financial Sector Assessment Program (FSAP)

Assessments under the FSAP, a joint initiative of the IMF and the World Bank, are an important input into surveillance, and the Fund continues to carry them out selectively. The

FSAP was introduced in 1999 to provide member countries, on a voluntary basis, with a comprehensive evaluation of their financial systems and provides the basis for the IMF's Financial System Stability Assessments (FSSAs)—assessments of risks to macroeconomic stability stemming from the financial sector, including the latter's ability to withstand macroeconomic shocks. Regional FSAPs are also undertaken for currency unions, notably where significant regulatory and supervisory structures are at the regional level. Regional FSAPs have been completed for CEMAC and ECCU, and an FSAP for WAEMU was under way at the end of the Fund's financial year.

With a total of 121 initial assessments now completed or under way, the IMF and the World Bank are increasingly focusing on FSAP updates. The core elements of updates include financial stability analysis, factual updates of the observance of standards and codes included in the initial assessment,[22] and a reassessment of key issues raised in the initial assessment.

In FY2008, 17 FSAPs were completed, of which 12 were updates;[23] another 45 (of which 24 are updates) are either under way or agreed and being planned.

Collaboration with other institutions

The Fund also works closely with other organizations on financial sector issues. It has increased its collaboration with the World Bank in this area in the context of the Joint Bank-Fund Management Action Plan (see Chapter 5). It has strengthened its analysis of vulnerabilities in advanced economies and collaboration with standard setters (such as the Basel Committee on Banking Supervision), central banks, and finance ministries in conjunction with the FSF and the G-20. It prepared a Global Financial Stability Note for the FSF's March 2008 meeting and has sponsored or cosponsored a number of conferences and seminars on financial sector issues (Box 3.5).

[22] Factual updates describe developments that are relevant to compliance with standards and codes but do not reassess the ratings in the initial FSAP.

[23] These numbers refer to FSSAs discussed by the Board during FY2008.

Box 3.5 Collaboration and outreach on financial sector issues

During FY2008, the IMF sponsored or cosponsored a number of conferences and seminars on financial globalization and financial stability.

In December 2007, the IMF Regional Office for Asia and the Pacific (OAP), the 21 COE-Market Quality Project of Keio University, and the Financial Research and Training Center of Japan's Financial Services Agency hosted the conference "Financial Stability and Financial Sector Supervision: Lessons from the Past Decade and Way Forward," in Tokyo. The conference brought together a select group of senior officials from the Asia-Pacific region, international financial institutions, academics, private sector representatives, and other stakeholders to review the progress that had been made in banking reform and financial sector supervision and examination over the last 10 years. Discussions focused on the readiness of financial systems in developing countries in the region to cope with ongoing changes in the global financial landscape, including through an effective implementation of the Basel II standards.

The Fund also cosponsored seminars and conferences with member countries and think tanks. In September 2007, it cohosted with the U.S. Federal Reserve Bank of Chicago the "Tenth Annual International Banking Conference: Globalization and Systemic Risk," which provided a forum where policymakers from advanced and emerging market countries and academics could discuss the current landscape of cross-border banking activity; how systemic risk may be enhanced or contained by globalization; the potential sources of systemic risk (particularly banks, insurance companies, pension funds, hedge funds, and other capital market participants); regulatory efforts to address systemic concerns; and policy alternatives that need to be considered. In January 2008, the Fund cohosted a seminar with the Brookings Institution in Washington, D.C., "Global Downturn? The World Economy in 2008."[1] In April 2008, it cosponsored the Conference on International Macro-Finance in Washington, D.C., in collaboration with the World Economy and Finance Research Programme of the U.K. Economic and Social Research Council. Participants included, in addition to IMF staff, representatives from central banks of several member countries and leading academics. The conference served as a forum where participants could present recent theoretical and empirical research narrowing the gap between "open-economy macro" and "finance" approaches to international financial issues.

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[1]The transcript of the seminar is available on the CD-ROM and on the IMF's Web site, at www.imf.org/external/np/tr/2008/tr080131.htm.

Vulnerability Exercise

The Vulnerability Exercise established in 2001 provides regular cross-country assessments of vulnerabilities and crisis risks in emerging market economies. The Fund developed a new methodology in FY2008 that enables it to distinguish between underlying vulnerabilities and crisis risks in emerging market countries, thereby facilitating the identification of underlying weaknesses in a benign environment when crisis risk is low. It intends to extend this exercise to mature markets. The Spring 2008 Vulnerability Exercise focused on the impact of global turmoil on emerging market economies, and the risks that asset price booms could end in sharp corrections and that a decline in capital inflows could precipitate a further downward spiral of asset prices, loan quality, and growth prospects.

Sovereign Wealth Funds

Sovereign wealth funds (SWFs) are becoming increasingly important players in the international monetary and financial system, and their assets have increased to an estimated $1.9–$2.8 trillion—this is in addition to the dramatic growth of international reserve holdings, which reached $6 trillion at the end of 2007. SWFs offer various economic and financial benefits—in the home country, they facilitate the intergenerational transfer of wealth, help prevent boom-bust cycles, contribute to fiscal stability, and allow for better portfolio diversification of sovereign assets, while they can have a stabilizing influence in global financial markets and enhance liquidity, as evidenced by SWFs' recent injections of capital into several large banks (see Chapter 2)—but they also pose challenges for policymakers.

At the 2007 Annual Meetings, while recognizing the positive role of SWFs in enhancing market liquidity and financial resource allocation, the IMFC in its Communiqué welcomed the IMF's analysis of issues for investors and recipients of flows from SWFs, including a dialogue on identifying best practices.[24] In November 2007, the Fund convened the first annual roundtable of sovereign asset and reserve managers in Washington, D.C., to facilitate the exchange of ideas and experiences in the management of reserves and other sovereign assets. The roundtable was attended by high-level delegations from central banks,

[24]The Communiqué can be found in Appendix III on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/cm/2007/102007a.htm.

finance ministries, and sovereign asset managers from 28 countries. Discussions covered trends in reserve accumulation and their implications for central bank balance sheets.

At the Executive Board's discussion of SWFs in March 2008,[25] most Executive Directors considered that the Fund was well placed to facilitate and coordinate the development of generally agreed principles and practices for SWFs and stressed that this work should go hand in hand with work being undertaken at the Organization for Economic Cooperation and Development (OECD) and elsewhere. Executive Directors supported an inclusive, collaborative approach with SWFs that would involve relevant members and stakeholders, and agreed that these principles and practices would be adopted on a voluntary basis.

In its April 2008 Communiqué,[26] the IMFC welcomed the IMF's initiative to work as a facilitator and coordinator with SWFs in developing a set of best practices and stated that it looked forward to reviewing the progress made at its next meeting.

On April 30–May 1, 2008, representatives of SWFs met at IMF headquarters in Washington, D.C., with representatives from the countries in which they invest, the Organization for Economic Cooperation and Development, and the European Commission. The SWFs formally established an international working group that is tasked with developing by October 2008 a common set of voluntary principles for SWFs, drawing on the existing body of principles and practices, that properly reflect their investment practices and objectives.[27] The IMF will provide the secretariat for the working group, which is composed of representatives from 25 IMF member countries. The working group is cochaired by a

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[25] See "IMF Executive Board Discusses a Work Agenda on Sovereign Wealth Funds," PIN 08/41, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2008/pn0841.htm. The background paper prepared by the staff can also be found on the CD-ROM and on the IMF's Web site, at www.imf.org/external/np/pp/eng/2008/022908.pdf.

[26] The Communiqué is available in Appendix III on the CD-ROM and on the IMF's Web site, at www.imf.org/external/np/cm/2008/041208.htm.

[27] The international working group's Web site, www.iwg-swf.org/, which was launched in June 2008, provides group members with access to confidential working documents. It also makes available to interested parties public information issued by the group and links to SWF Web sites. Inquiries can be sent to the IMF through the site.

senior representative of the Abu Dhabi Investment Authority and the Director of the IMF's Monetary and Capital Markets Department, who were selected by the participating SWFs.

AML/CFT

The Fund remains firmly engaged in AML/CFT work but is concentrating on those areas where it has the greatest comparative advantage, that is, assessments of countries that are systemically important or that present serious money laundering or terrorist financing risk—for example, emerging economies and middle-income countries whose financial systems have developed faster than their AML/CFT safeguards. This work has strong synergies with the Fund's other financial sector assessment work, and the Fund is continuing to integrate AML/CFT issues into its broader surveillance mandate, exploring the relationships between money laundering, informal sectors, and the mainstream economy. The Fund's AML/CFT technical assistance work supports its assessment work. Going forward, it will be more demand-driven and will rely primarily on external funding.

Financial soundness indicators

Financial soundness indicators are a relatively new body of economic statistics that are used, along with other economic and financial indicators, to assess the financial strength and vulnerabilities of a country's financial sector. The IMF worked closely with national agencies and regional and international institutions to develop a set of core and encouraged FSIs. The Executive Board endorsed the FSIs in 2001 and a work program in 2003 aimed at increasing the capacity of member countries to compile FSIs and expanding reporting and analysis of FSIs in the work of the Fund. As part of this work program, the IMF produced the *Financial Soundness Indicators Compilation Guide* and launched a voluntary Coordinated Compilation Exercise (CCE) in 2004. The 62 participants in the CCE undertook to compile the 12 core FSIs and as many of the 28 encouraged FSIs as possible and to provide them, the underlying data series, and related metadata to the IMF for dissemination. FSIs are routinely monitored by the IMF as part of the its enhanced surveillance of financial systems and are frequently included in staff reports and FSAP reports.

In November 2007, the Executive Board reviewed the experience with the work program and discussed proposals for taking the work on FSIs forward.[28] Executive Directors were of the view that FSIs represented an important starting point for analysis of financial stability and a key element of the IMF's financial soundness assessment toolkit. They urged that FSIs continue to be a standard part of surveillance, FSAP reports, and the IMF's Vulnerability Exercise, and welcomed the reporting of FSIs in staff reports. Noting that FSIs need to be interpreted with caution, given the diversity of the accounting, regulatory, and legal systems that underpin them, the Board called for further progress on improving cross-country comparability and encouraged continued efforts by the IMF and other international agencies to harmonize data compilation methodologies and reporting. Executive Directors saw clear value in the regular collection and dissemination of FSIs by the IMF, with the creation of a centralized public FSI database that would be available to member countries, international institutions, and markets. They agreed that countries should be encouraged—but not required—to report FSIs to the IMF.

FRAMEWORK OF DATA PROVISION FOR SURVEILLANCE AND OTHER DATA INITIATIVES

Data provision to the Fund for surveillance purposes

A review by IMF staff of the policy framework for data provision for surveillance, submitted to the Executive Board at the end of FY2008 and discussed in early FY2009, considered that the overall framework remained appropriate, but suggested efforts to clarify staff's assessments of data adequacy, strengthen data reporting for assessments of external stability, improve country participation and coverage for financial sector data initiatives, and take appropriate action in cases where members, despite adequate capacity, fail to provide data.

Fiscal and data transparency

The need for monetary and financial statistics that are accurate, comprehensive, comparable across countries, and widely available on a timely basis has been underscored by modern episodes of instability in financial markets, including the recent stresses in the loan and securities markets. During FY2008, the Fund undertook several initiatives to enhance the

[28] See "IMF Executive Board Concludes Financial Soundness Indicators—Experience with the Coordinated Compilation Exercise and Next Steps," PIN 07/135, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/07135.pdf.

transparency and quality of financial sector data in its member countries (Box 3.6). It reconvened the Working Group on Securities Databases and hosted a workshop organized by the Irving Fisher Committee on Central Bank Statistics. It published *Monetary and Financial Statistics: A Compilation Guide,* a companion to the *Monetary and Financial Statistics Manual.* The new Guide is intended to help countries compile high-quality data in accordance with current best practices. During FY2008, the number of economies reporting international investment position data for the Fund's statistical publications continued to increase, reaching 113 at end-2007.

Box 3.6 Initiatives on financial sector data

Well-functioning local-currency bond markets can contribute to strong and sustainable economic growth and financial stability in emerging market and developing countries, but internationally comparable data on bond markets are limited. Information about these markets is typically spread across different organizations that use different classifications and data exchange formats. In 2007, the finance ministers of the Group of Eight (G-8) countries called on the IMF and other international organizations to improve the quality, comparability, and consistency of these data.

In response, the IMF reconvened the Working Group on Securities Databases, which it chairs, to discuss the development of a global securities database. The other members of the Working Group when it was established by the IMF in 1999 were the Bank for International Settlements (BIS) and the European Central Bank (ECB). Its work was put on hold in 2001 until the ECB's development of a Centralized Securities Database was more advanced. In September 2007, representatives from the BIS, the ECB, the World Bank, the Deutsche Bundesbank, the Bank of Mexico, and the U.S. Federal Reserve met at IMF headquarters in Washington, D.C., to take stock of the available data on local debt markets in emerging market and developing countries and to identify any gaps. Participants established that the BIS and the ECB both had databases on domestic and international debt securities that could be developed to meet the requirements of users of statistics. Following up on this meeting, in March 2008 the IMF hosted a workshop organized by the Irving Fisher Committee on Central Bank Statistics. Participants in the workshop, who included representatives from international and regional organizations as well as from central banks and statistical offices in a wide range of countries, came together to discuss the challenges of compiling securities statistics as well as specific methodological issues. They agreed on the need for a guide on compiling securities statistics, since there is as yet no international standard in this area. The guide will focus initially on statistics on debt securities but will eventually be expanded to cover other securities and securities holdings.

In addition, in April 2008, the IMF published the *Monetary and Financial Statistics: Compilation Guide,* which is aimed at providing direct assistance to data compilers at the national level who are responsible for implementing the methodological and statistical frameworks contained in the IMF's Monetary and Financial Statistics Manual, which was published in 2000. By including the compilation of flow data, the Guide and the Manual represent a major advance in the guidance the IMF has been providing to countries since 1948 on monetary statistics; the focus had previously been on the compilation and reporting of balance-sheet data (end-of-month stocks) for the central bank and other depository corporations. The Guide focuses on the cross-country harmonization of source data and methodology for the compilation and presentation of the statistics. It also describes the unified framework for countries' reporting of monetary data to the IMF. In 2004, the Fund introduced the Standardized Report Forms (SRF) for countries' reporting of balance-sheet data for depository corporations, insurance corporations, pension funds, and other institutional types of financial corporations. Thus far, more than 100 countries/territories have established monthly reporting of SRF data, and time series from these data are published in the IMF's quarterly *International Financial Statistics: Supplement on Monetary and Financial Statistics.* The Guide also introduces illustrative supplementary data, disaggregated by maturity, currency denomination, and type of interest rate, of sectoral balance-sheet accounts of central banks, other depository corporations, and other financial corporations. The supplementary data include subcategories—by type of contract—for financial derivatives. The financial statistics described in the Guide, which record the distribution and redistribution of financial assets and liabilities among the sectors of an economy on a quarterly basis, are an important input to the IMF's balance-sheet approach to analyzing a country's vulnerability to external or internal shocks.

Finally, in FY2009, the Fund will also initiate regular collection and dissemination of financial soundness indicators (FSIs) and will create a publicly available database. Countries will be encouraged—but not required—to report FSIs to the Fund.

The Executive Board approved in May 2007 the Fund's revised *Code of Good Practices on Fiscal Transparency,* a central element in IMF actions to promote transparency and good governance. The revisions reflected a broad consultative process, in which country authorities, civil society organizations, international institutions, academia, and the private sector took part. Revised versions of the *Manual on Fiscal Transparency* and the *Guide on Resource Revenue Transparency* were also published. Assessments of practices under the *Code of Good Practices on Fiscal Transparency* have so far been published for 86 countries as part of the voluntary Standards and Codes Initiative, which was launched in 1999.[29] Fiscal transparency is one of 12 topics covered by the Initiative, under which the IMF and the

[29] Further information on the Standards and Codes Initiative and copies of country assessments can be found on the IMF's Web site, at www.imf.org/external/np/rosc/rosc.asp.

World Bank respond to member countries' requests for summaries of their observance of good practice standards in three broad areas—transparent government operations and policymaking, financial sector standards, and market integrity standards for the corporate sector. The assessments are designed to help countries strengthen their economic institutions, to inform the work of the IMF and the Bank, and to inform market participants (see CD-Box 3.1 on the CD-ROM).[30]

In February 2008, the IMF and the World Bank released new, enhanced versions of the Quarterly External Debt Statistics (QEDS) database and the Joint External Debt Hub (JEDH). The QEDS database, which was initially launched in 2004, brings together external debt statistics that are normally published individually by countries that subscribe to the IMF's Special Data Dissemination Standard (SDDS). To further enhance the availability of external debt data, the World Bank and the IMF invited a group of low-income countries that participate in the IMF's General Data Dissemination System (GDDS) to report a simplified quarterly set of data focusing on the external debt of the public sector. Fourteen countries have accepted the invitation, and 12 of them have already started providing the requested data. The intention is to expand the number of reporting countries over time.[31] The JEDH is a joint undertaking of the BIS, the IMF, the OECD, and the World Bank. It represents a further step by the institutions involved to facilitate and encourage worldwide dissemination of external debt data by as many countries as possible.[32]

Coordinated Direct Investment Survey

In 2007, the IMF decided to undertake a Coordinated Direct Investment Survey in collaboration with its Inter-Agency Task Force partners, including the OECD, the Statistical

[30]See "IMF Launches Revised Fiscal Transparency Code and Manual," PR 07/95, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2007/pr0795.htm. The Code and the Manual are also available on the IMF's Web site, at www.imf.org/external/pp/longres.aspx?id=4175 and www.imf.org/external/pp/longres.aspx?id=4177, respectively.

[31]The SDDS was established in 1996 to guide countries that have or seek access to international capital markets and that already meet high standards for the quality of their statistical data. The GDDS was established in 1997 to help countries improve their statistical systems and is open to all IMF members. Both are voluntary, but once a country subscribes to the SDDS, observance of the standard is mandatory. See CD-Box 3.1 on the CD-ROM and *The IMF's Data Dissemination Initiative After 10 Years,* at www.imf.org/external/pubs/ft/books/2008/datadiss/dissemination.pdf.

[32]See "IMF and World Bank Expand Databases on External Debt Statistics," PR 08/37, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0837.htm.

Office of the European Communities, the ECB, and the United Nations Conference on Trade and Development. All Fund member countries and a few non-members were invited to participate. As of April 2008, 135 countries had indicated a willingness to participate in the survey. The survey will collect information on outstanding direct investment positions, broken down by equity and debt, and then by debt assets and liabilities, by counterpart country as of the end of 2009. The survey will also capture world totals and the geographic distribution of positions, thereby contributing to improved understanding of globalization. The first results are expected to be available by the end of 2010 or early in 2011 and to be published by the IMF. A task force was formed in 2007 to assist the IMF in preparing a guide for countries responding to the survey.[33] The survey is the first such undertaking by the IMF in a coordinated manner on direct investment data. It is, to a large extent, modeled on the very successful Coordinated Portfolio Investment Survey (CPIS), which has been conducted under the auspices of the IMF on an annual basis since 2001.[34]

The Data Standards Initiatives

Data standards continue to play an important role in strengthening Fund surveillance. Implementation of the Fund's Data Standards Initiatives is progressing, with 64 SDDS subscribers and 92 GDDS participants, together representing about 85 percent of the Fund's membership. In February 2008, in an informal seminar, the Executive Board discussed a paper reviewing 10 years of experience with the GDDS, which points to possible future directions and emphasizes data dissemination and plans for improvement that focus on the periodicity and timeliness of data. An outreach program with member countries is in progress (two consultations were held in April 2008, one in South Africa and the other in Thailand). A Seventh Review of the Fund's Data Standards Initiatives will be discussed by the Executive Board in the fall of 2008.

[33]The Guide can be found at www.imf.org/external/np/sta/cdis/index.htm.
[34]The data on the CPIS can be found at www.imf.org/external/np/sta/pi/cpis.htm.

THE TRIENNIAL SURVEILLANCE REVIEW

Over the past 30 years, the Executive Board has reviewed the IMF's surveillance work at regular intervals.[35] At a Board briefing in April 2008 based on an Issues Note prepared by staff, Executive Directors began discussing the design of the Triennial Surveillance Review, which will provide them with an opportunity to discuss strategic issues related to refocusing the Fund's 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. The Review is to include a Statement of Surveillance Priorities, which is expected to help focus surveillance across the Fund, underpin policy dialogue with members, and enhance accountability.

[35]Under the 1977 Surveillance Decision, reviews of the surveillance procedures and the implementation of surveillance were conducted biennially from 1988 to 2004. In accordance with the Medium-Term Strategy's call for streamlining IMF procedures, the new 2007 Decision provides for triennial reviews.

4. Program support and capacity building

The IMF provides support to its member countries through a variety of instruments, depending on their needs. It has a number of different lending facilities (Table 4.1) as well as mechanisms for providing policy support without financing, and also provides, at the request of members, technical assistance (TA) and training that are consistent with the purposes of the Fund. The IMF's Executive Board regularly reviews these instruments to ensure that they continue to meet the evolving needs of member countries.

Consideration and approval of members' requests for financial assistance and program support are core responsibilities of the Board, alongside surveillance. Under its lending facilities, the IMF makes temporary financing available to member countries to give them time to adjust their policies so as to overcome short-term balance of payments problems, such as insufficient foreign exchange to purchase needed imports or make payments on external obligations; stabilize their economies; and avoid similar problems in the future. IMF financing is provided in support of economic reform programs developed by member countries themselves in collaboration with the IMF, and is expected to have a catalytic effect, enabling a country to restore confidence in its policies and attract additional financing from other sources. The Executive Board regularly evaluates members' performance under their programs, and, in most cases, funds are disbursed as program targets are met.

TA and training help member countries fulfill the commitments they make when they join the IMF—to pursue policies that foster financial and macroeconomic stability, sustainable economic growth, and orderly exchange rate arrangements, and to provide the IMF with timely, accurate, and high-quality data about their economies. TA and training are also vehicles for helping member countries implement the recommendations that come out of the IMF's Article IV consultations (see Chapter 3). Hence, aligning and integrating capacity building with surveillance and program work have become key objectives of the IMF's Executive Board. The IMF offers TA and training mainly in its core areas of expertise, including macroeconomic policy, tax and revenue administration, public expenditure management, monetary policy, exchange systems, financial sector reforms, debt management, and macroeconomic and financial statistics. In recent years, member countries have increasingly requested assistance in addressing issues related to globalization and investment, such as preventing money laundering and the financing of terrorism; strengthening public investment, public-private partnerships, and management of fiscal risks; adopting international standards and codes for data and financial and fiscal management; correcting weaknesses identified under the joint IMF–World Bank Financial Sector Assessment Program; and carrying out debt sustainability analyses.

Financial assistance and policy advice

Financing under the IMF's main credit facilities is subject to charges (interest) and in some cases may be subject to surcharges, depending on the type and duration of financing and the amount of IMF credit outstanding. The bulk of such financing is provided through Stand-By Arrangements, which address short-term balance of payments difficulties, and Extended Arrangements, which focus on external payments difficulties caused by longer-term structural problems. In FY2008, the Fund's Executive Board approved SDR 934.2 million in the use of Fund resources under these facilities (Table 4.2), which included three precautionary Stand-By Arrangements—for Gabon (36 months, SDR 77.2 million), Honduras (12 months, SDR 38.9 million), and Iraq (15 months, SDR 475.4 million)—and a 36-month Extended Arrangement for Liberia (SDR 342.8 million), extended as a blend with concessional financing under the Poverty Reduction and Growth Facility (PRGF), the principal instrument for providing IMF financial support to low-income countries (see below). In addition, the Board approved a decrease in the amount of SDR 35 million of an existing Stand-By Arrangement for Paraguay.

Table 4.2 Arrangements under main facilities approved in FY2008
(In millions of SDRs)

Member	Type of arrangement	Effective date	Amount approved
Gabon	36-month Stand-By	May 7, 2007	77.2
Honduras	12-month Stand-By	April 7, 2008	38.9
Iraq	15-month Stand-By	December 19, 2007	475.4
Liberia	36-month Extended Fund Facility	March 14, 2008	342.8
Subtotal			**934.2**
Paraguay (decrease)[1]	27-month Stand-By	October 15, 2007	(35.0)
Total			**899.2**

Source: IMF Finance Department.
[1]Only the amount of the decrease is shown.

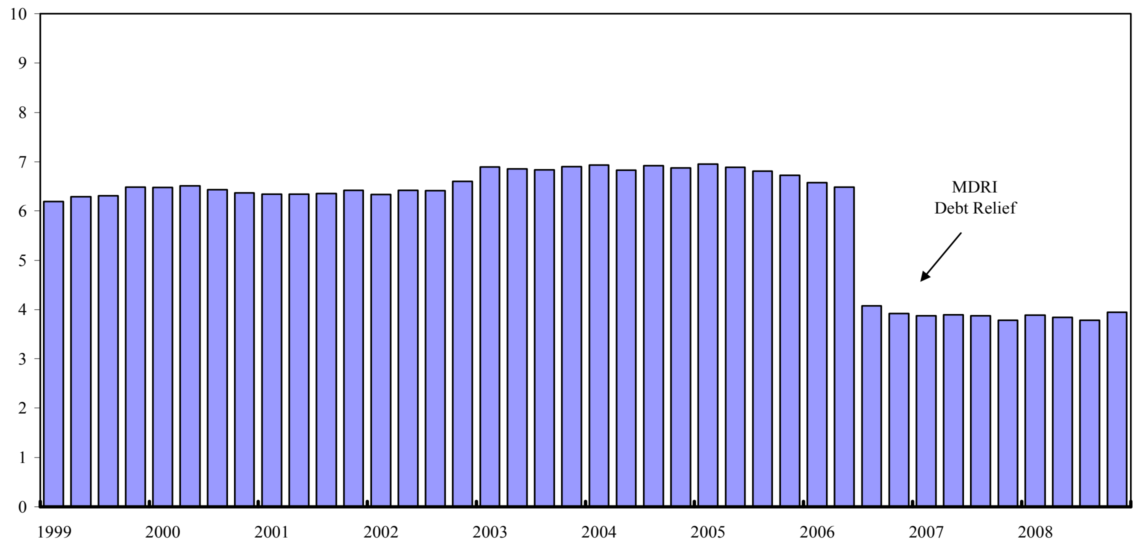
The IMF provides subsidized loans through the PRGF, which focuses on poverty reduction in the context of a growth-oriented economic strategy, and debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). A low-income country seeking a PRGF arrangement or debt relief must prepare a Poverty Reduction Strategy Paper (PRSP) in a participatory process involving domestic stakeholders, including civil society, based on the strategy developed and owned by the country; the PRSP is issued to the Boards of the IMF and the World Bank. During FY2008, the Executive Board approved four new PRGF arrangements (for Guinea, Liberia, Nicaragua, and Togo), with commitments totaling SDR 424.8 million (Table 4.3). In addition, it approved the augmentation, in the amount of SDR 9.0 million, of an existing PRGF arrangement for Burkina Faso. As of April 30, 2008, the reform programs of 25 member countries were supported by PRGF arrangements, with commitments totaling SDR 1.1 billion and undrawn balances of SDR 0.5 billion. Total concessional loans outstanding amounted to SDR 3.9 billion at April 30, 2008 (Figure 4.1).

Table 4.3 PRGF arrangements approved in FY2008
(In millions of SDRs)

Member	Effective date	Amount approved
New Arrangements		
Guinea	December 21, 2007	48.2
Liberia	March 14, 2008	239.0
Nicaragua	October 5, 2007	71.5
Togo	April 21, 2008	66.1
Subtotal		**424.8**
Augmentation[1]		
Burkina Faso	January 9, 2008	9.0
Subtotal		**9.0**
Total		**433.8**

Source: IMF Finance Department.
[1]For the augmentation, only the amount of the increase is shown.

Figure 4.1 Concessional loans outstanding FY1999–FY2008
(In billions of SDRs)



Source: IMF Finance Department.

The IMF provides emergency financial assistance to member countries recovering from conflicts (Emergency Post-Conflict Assistance, or EPCA) and natural disasters (Emergency Natural Disaster Assistance, or ENDA). Countries that are eligible for concessional lending under the PRGF can make use of financing under the Exogenous Shocks Facility (ESF) and are also eligible for emergency assistance at subsidized interest rates.[1] During FY2008, the Executive Board approved emergency assistance totaling SDR 218.5 million. Of this amount, two requests were approved under ENDA (SDR 133.3 million for Bangladesh and SDR 2.1 million for Dominica), and three under EPCA (two requests, each in the amount of SDR 40.7 million, were approved for Côte d'Ivoire, and one of SDR 1.8 million for Guinea-Bissau). As of April 30, 2008, three countries—Côte d'Ivoire,

[1]Since 2001, bilateral contributions have allowed the IMF to provide EPCA to low-income countries at a reduced rate of 0.5 percent per year, from which 16 low-income countries have benefited to date. In early 2005, when subsidization was extended to cover ENDA, the Executive Board set an initial goal of raising additional contributions of SDR 45–65 million to cover the estimated needs for the five-year period through 2009. Since 2005, 17 countries have committed SDR 29 million, prompting the IMF to intensify its resource mobilization efforts. The aim now is to secure SDR 100 million in contributions to cover projected subsidization costs through 2014. See CD-Tables 4.1. and 4.2 on the CD-ROM for the lists of countries that have pledged contributions, or contributed to, the Exogenous Shock Facility and Emergency Assistance.

Guinea-Bissau, and Lebanon—had outstanding EPCA credit, which amounted to SDR 133.8 million, and five—Bangladesh, Dominica, Grenada, Maldives, and Sri Lanka—had outstanding ENDA credit, for a total of SDR 245.4 million.

In recent years, a number of countries have chosen to repay their outstanding credit to the Fund ahead of schedule. For example, in FY2008, Bolivia, Iraq, and the former Yugoslav Republic of Macedonia completed advance repayment of their outstanding obligations to the IMF, for a total of SDR 330.9 million.

More generally, a number of Fund members have transitioned from a financial and surveillance relationship with the Fund to one that is principally a surveillance relationship, thanks to 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 especially modest over the past few years for middle-income member countries, which traditionally have been the major users of Fund resources in the credit tranches, and approvals of Stand-By and Extended Arrangements have declined. Many low-income countries have also benefited from improved macroeconomic policies, the favorable global environment, and strong demand for commodities. Although demand for financing under the PRGF remains strong, fewer PRGF arrangements were approved in FY2008 than in previous years, reflecting, in part, a shift to use of the Fund's Policy Support Instrument (PSI; see below).

Emerging market economies

In recent years, emerging market economies as a group have become a source of strength for the global economy, and their demand for traditional Fund financial support has decreased. Many have built sizable reserves for self-insurance purposes and have shown resilience in the face of recent financial market turbulence. More flexible exchange rates and increased reliance on local currency–denominated debt have reduced two sources of vulnerability. The Board has underscored the importance of strengthening debt management in these economies, and several major emerging markets, with the Fund's engagement, have implemented policies to strengthen economic fundamentals. 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.

New instruments for emerging market economies

~~In the context of decreasing demand for traditional Fund support~~Given the evolving nature of emerging market vulnerabilities, the Fund continues to explore whether its financial instruments meet the needs of emerging market economies. There has been some encouraging support for a proposed rapid access line (RAL).[2] Members continue to have mixed views, however, about some elements of the design, and a consensus on the type of instrument that would be most useful to member countries has not been reached. Nevertheless, in view of recent global financial turbulence, the Fund is pushing forward its work on the modalities of a new liquidity instrument and is also considering suggestions made by some Executive Directors for a financial stability line for countries integrating into global capital markets and pursuing financial sector reforms.

Low-income countries

The Fund remains closely engaged with low-income countries, while refocusing its role by concentrating on its core areas of expertise—macroeconomic policies and institutions that support the stability necessary for sustained growth and poverty reduction—and doing less on noncore structural issues. While the policy advice, financing, and capacity-building assistance (see below) it provides are tailored to each country's needs, it also draws on its cross-country experience and perspective. To improve the focus and increase the coherence of the Fund's policy work on low-income countries, and to promote the exchange of information and the Fund's engagement with donors, the Fund's interdepartmental Low-Income Committee is being revamped. As some low-income countries grow and mature, the Fund is likely to place additional emphasis on issues such as the policy response to capital inflows, commodity price booms and busts, and financial market development, while growth, poverty reduction, and debt sustainability will remain top priorities. The Board is scheduled to examine in depth the Fund's role in low-income countries early in FY2009.

Clarifying the Fund's role in low-income countries

To clarify the Fund's role in, and reinforce its engagement with, low-income countries, the IMF's Managing Director traveled to Burkina Faso, Nigeria, Senegal, and Tanzania in

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[2]The proposed instrument's name has been changed from a "reserve augmentation line" to a "rapid access line" to better reflect its purpose.

February 2008 for discussions with African leaders and representatives of the private sector and civil society about the challenges facing sub-Saharan Africa and the IMF's role in the region, as well as to hear first-hand how the IMF can best support its members' efforts to enhance growth and reduce poverty. The IMF's Executive Directors also visited a number of African countries in February, meeting with heads of state and high-ranking officials as well as a wide range of stakeholders, including representatives of the public and private sectors, civil society, and development partners.

In June 2007, the Executive Board also discussed the implementation plan for Board-endorsed recommendations in the Independent Evaluation Office's report on the IMF and aid to sub-Saharan Africa (see Chapter 5). While confirming the improvement in the region's macroeconomic performance during 1999–2005, which it attributed in part to the advice and actions of the IMF, the Board identified areas where further improvements were needed, including the IMF's role in poverty reduction efforts, the mobilization of aid, the preparation of alternative scenarios for reaching the Millennium Development Goals (MDGs), and the application of poverty and social impact analysis.[3]

The Fund's financial support for low-income countries continues to be important in itself as well as in catalyzing support from other donors. In October 2007, the Executive Board discussed the IMF's role in the poverty reduction strategy (PRS) process and its collaboration with donors, reiterating that the primary focus of the IMF's work in low-income countries in the context of the PRS process should be to provide policy advice on, and technical support for, the design of appropriate macroeconomic frameworks and macroeconomically critical structural reforms.[4] Noting that PRSPs have become the accepted operational framework for countries' poverty reduction efforts and for the coordination of external support for their efforts to achieve the MDGs, Executive Directors concurred that the IMF's principal contribution to the MDG effort lies in helping countries maintain

[3]See *IMF Annual Report 2007*, pages 42–43, and the Web site of the Independent Evaluation Office for more information: www.ieo-imf.org.

[4]The summing up of the Board discussion can be found on the CD-ROM and on the IMF's Web site: "IMF Executive Board Discusses the Fund's Role in the Poverty Reduction Strategy Process and Its Collaboration with Donors," PIN 07/130, www.imf.org/external/np/sec/pn/2007/pn07130.htm.

macroeconomic stability, debt sustainability, and appropriate fiscal frameworks, observing that the Fund should also continue to press for more predictable and more effective aid.

Executive Directors agreed that close collaboration with other development partners is essential for effective IMF engagement with its low-income members and a successful refocusing of the Fund's role and called for a deepening of this collaboration, with greater emphasis on delineating areas of competence and the division of labor. At the same time, Executive Directors stressed that country ownership of the aid process is essential to successful donor coordination, emphasizing the country-level understandings between the authorities, the IMF, the World Bank, and other development partners as a critical element of the collaboration with donors. In FY2008, the Fund strengthened its collaboration with the World Bank with the implementation of the Joint Management Action Plan and pilot projects in the areas of public financial management, the financial sector, and natural resource management in a number of African countries (see Chapter 5).

Debt relief and debt management

Additional countries benefited from debt relief under the HIPC Initiative and MDRI in FY2008, and changes were introduced into the HIPC framework to add Staff-Monitored Programs (SMPs) that meet certain standards to the instruments that HIPCs may use in building a track record to reach the decision point under the HIPC Initiative (see below). Liberia, one of three HIPC-eligible countries with protracted arrears to the Fund, was the first to benefit from the change, reaching its decision point in March (see Box 4.1).[5]

[5] See "IMF Executive Board Fully Restores Liberia's IMF Status, Approves Financial Support Amounting to US$952 Million and HIPC Decision Point Designation," PR 08/52,on the CD-ROM or on the IMF's Web site, www.imf.org/external/np/sec/pr/2008/pr0852.htm. To qualify for HIPC assistance, a country must pursue strong economic policies supported by the IMF and the World Bank. After establishing a track record of good performance and developing a PRSP or an interim PRSP, the country is said to have reached its decision point, at which time the IMF and the World Bank formally decide on the country's eligibility and the international community commits itself to reducing the country's debt to a sustainable level. The country must then continue its good track record with the support of the international community, implementing key policy reforms, maintaining macroeconomic stability, and adopting and implementing a PRSP. Paris Club and other bilateral and commercial creditors are expected to reschedule obligations coming due. A country reaches its completion point once it has met the objectives set at the decision point. It then receives the balance of the debt relief committed.

Box 4.1 Liberia: Clearance of IMF arrears

After having been in continuous arrears to the IMF since 1984, on March 14, 2008, Liberia regularized its relations with the Fund through the clearance of SDR 543 million of arrears. Improved cooperation with the Fund, including satisfactory performance under a Staff-Monitored Program of upper-credit-tranche policy quality, paved the way for Liberia's arrears clearance. The clearance of Liberia's arrears and subsequent quota increase under the Eleventh General Review was facilitated by intraday bridge loans provided by the United States. In addition, a large number of IMF member countries contributed to the financing package required to provide debt relief to Liberia.[1] These bilateral contributions were facilitated by the partial distribution of the balance in the Fund's first Special Contingency Account (SCA-1), accumulated as reserves to guard against possible credit losses, and the proceeds of deferred-charges-adjustments that had been used to offset the impact on Fund income from Liberia's arrears (see Chapter 5).

Following clearance of Liberia's arrears, the Executive Board restored the country's voting and related rights and its eligibility to use the general resources of the Fund and lifted the suspension of its rights to use SDRs. On this basis, and in light of the existence of satisfactory assurances as to the availability of resources to finance the Fund's debt relief for Liberia, in FY2008 the Board approved Liberia's request for arrangements totaling SDR 582 million under the PRGF and Extended Fund Facility (EFF), decided that Liberia had reached the decision point under the enhanced HIPC Initiative, and approved Liberia's request for interim HIPC assistance.

[1]Liberia cleared its arrears to the Fund in ~~April~~ March 2008, following its clearance of arrears to the World Bank and the African Development Bank in December 2007, and received concessional debt treatment from the Paris Club in April 2008. Further steps are being taken to regularize relations with other creditors~~, including Paris Club members~~.

As of April 30, 2008, 33 countries had reached the decision point under the enhanced HIPC Initiative; of these, 23 had reached their completion points. In total, the IMF has committed SDR 2.3 billion under the HIPC Initiative and disbursed SDR 1.7 billion. During FY2008, three member countries (Afghanistan, the Central African Republic, and Liberia) reached their decision points, and one additional country (The Gambia) reached its completion point. In addition, the Executive Board approved disbursement of HIPC topping-up assistance to São Tomé and Príncipe.

The MDRI was launched in early 2006 to further reduce the debts of qualifying low-income countries and free up resources that they could use to meet the MDGs. Under the established financing framework for the MDRI, qualifying members can receive 100 percent debt relief on the full stock of debt owed to the IMF at end-December 2004 that remains outstanding at the time the member qualifies for such debt relief and is not covered by assistance under the HIPC Initiative.[6] (See CD-Tables 4.3 and 4.4 on the CD-ROM.)

In January 2008, the Executive Board amended the PRGF-HIPC Trust Instrument to add Staff-Monitored Programs (SMPs) meeting policy standards associated with programs supported by arrangements in the upper credit tranches or under the PRGF to the instruments HIPCs may use to build a track record toward reaching the decision point under the HIPC Initiative.[7] The amendment is aimed at giving these countries credit, in appropriate circumstances, for their record in implementing strong programs of macroeconomic stabilization and structural reform during the period when the Fund and other international institutions are securing the financing assurances needed for the clearance of arrears and provision of debt relief.

In September 2007, the Executive Board considered the status of implementation of the HIPC Initiative and the MDRI and discussed the financing of the Fund's concessional assistance and debt relief to low-income member countries.[8] Executive Directors expressed concern that, in spite of the delivery of debt relief under the HIPC Initiative and the MDRI and the resulting declines in debt ratios, long-term debt sustainability remains a key challenge for most HIPCs. They emphasized that HIPCs need to increase domestic revenue mobilization, diversify their production and export bases, and strengthen their public institutions to address their underlying vulnerabilities and ensure long-term debt

[6]When the MDRI was established, the cost to the IMF of providing MDRI debt relief was estimated at SDR 2.6 billion.

[7]The summing up of this Board discussion can be found on the CD-ROM and on the IMF Web site: "IMF Executive Board Modifies HIPC Initiative," PIN 08/03, www.imf.org/external/np/sec/pn/2008/pn0803.htm.

[8]The summing up of this Board discussion can be found on the CD-ROM and on the IMF's Web site: "IMF Executive Board Discusses Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation and the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries," PIN 07/122, www.imf.org/external/np/sec/pn/2007/pn07122.htm. The Board's discussion was based on a joint IMF–World Bank paper, "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation," which is available on the Fund's Web site, www.imf.org/external/np/pp/2007/eng/082807.pdf, along with a joint IMF–International Development Association paper, "Enhanced Heavily Indebted Poor Countries (HIPC) Initiative—Status of Non–Paris Club Official Bilateral Creditor Participation," www.imf.org/external/np/pp/2007/eng/091007.pdf, which served as a background to the Board's discussion.

sustainability. They also strongly underscored the importance of strengthening public debt management and encouraged HIPCs to follow responsible financing strategies based on their debt sustainability analyses. In addition, they emphasized that staff should continue to provide TA to HIPCs to improve their debt management capabilities and help them develop medium-term debt strategies. They called on all creditors to ensure that lending to HIPCs does not result in a rapid reaccumulation of debt and is provided in a transparent manner.

A project aimed at enhancing low-income countries' debt management capabilities has been initiated with the World Bank, and training is being provided to country officials to enable them to use the Debt Sustainability Framework as a policy tool (see "Building Institutions and Capacity" below). In FY2008, Fund staff worked closely with the export credit group in the Organization for Economic Cooperation and Development (OECD) 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 low-income countries where they exist and to take into account the results of debt sustainability analyses for other low-income countries. The Fund and the World Bank have also established dedicated Web pages to make information on country-specific debt sustainability analyses and concessionality issues more accessible to donors and creditors.[9]

Nonfinancial support

The Fund provides nonfinancial program support to low-income countries through Policy Support Instruments (PSIs). Two PSIs were approved in FY2008 (for Mozambique and Senegal), bringing to six the number of countries for which PSIs have been approved to date. (PSIs were approved for Nigeria in FY2006 and for Cape Verde, Tanzania, and Uganda in FY2007.) The Executive Board established the framework for PSIs in FY2006 to address the needs of low-income countries that no longer need or want IMF financial assistance but that still seek IMF advice on, and monitoring and endorsement of, their economic policies. PSIs also perform a "signaling" function—that is, they indirectly provide information about countries' economic performance and prospects that can be used to inform the decisions of outsiders (for example, private creditors, donors, and the general public). PSIs mirror the

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[9] See *The Debt Sustainability Framework for Low-Income Countries,* which is available on the IMF's Web site, at www.imf.org/external/pubs/ft/dsa/lic.htm.

design of and achieve many of the same purposes as PRGF arrangements and, like PRGF arrangements and debt relief, are based on development of a poverty reduction strategy. In the event of an exogenous shock, on-track PSIs can provide the basis for rapid access to ESF resources.

Scaling up of aid

The international community has committed to scaling up aid and improving aid delivery to low-income countries to help them meet the MDGs (Box 4.2). Through its policy advice, financial support (including debt relief), and TA, the IMF has worked to help countries establish a macroeconomic environment that will enable them to use aid effectively. In July 2007, the Executive Board discussed the implications of the planned scaling up of aid to low-income countries for the role of the Fund and the design of Fund-supported policy programs—in particular, design of fiscal, monetary, and exchange rate policies (Box 4.3). [10]

Box 4.2 Global Monitoring Report finds progress toward MDGs off track

The IMF and the World Bank track the progress made by low-income countries toward the achievement of the Millennium Development Goals (MDGs), jointly publishing their findings annually in the *Global Monitoring Report* (GMR). The fifth GMR, issued in April 2008 and titled *Global Monitoring Report: MDGs and the Environment—Agenda for Inclusive and Sustainable Development,* found that although much of the world is set to cut extreme poverty in half by 2015, poor countries are unlikely to achieve the goals of reducing child and maternal mortality. Serious shortfalls are also likely with respect to primary school completion, nutrition, and sanitation goals.

The report stressed the link between the environment and development and called for urgent action on climate change, warning that developing countries stand to suffer the most from climate change and the degradation of natural resources. To build on hard-won gains, developing countries need support to address the links between growth, development, and environmental sustainability.

[10]The discussion took place in the context of a review of two staff papers and several other background papers synthesizing recent IMF work on accommodating scaled-up aid flows. These papers are available on the IMF's Web site: "Aid Inflows—The Role of the Fund and Operational Issues for Program Design," www.imf.org/external/np/pp/2007/eng/061407.pdf, along with a background paper, www.imf.org/external/np/pp/2007/eng/061407a.pdf; and "Fiscal Policy Response to Scaled-Up Aid," www.imf.org/external/np/pp/2007/eng/060507.pdf, along with two background papers, "Macro-Fiscal and Expenditure Policy Challenges," www.imf.org/external/np/pp/2007/eng/060507a.pdf, and "Strengthening Public Financial Management," www.imf.org/external/np/pp/2007/eng/060507b.pdf. The summing up of the Board's discussion can be found on the CD-ROM and on the IMF's Web site, "IMF Executive Board Discusses Operational Implications of Aid Inflows for IMF Advice and Program Design in Low-Income Countries," PIN 07/83, www.imf.org/external/np/sec/pn/2007/pn0783.htm.

Progress toward the MDGs differs dramatically across countries, regions, and income groups. Sub-Saharan Africa lags on all counts, including the goal for poverty reduction, although many countries in the region are now experiencing improved growth performance. However, with stronger efforts by both the countries themselves and their development partners, most MDGs remain achievable for most countries. The report lays out an integrated six-point agenda, with strong, inclusive growth at the top, and calls for more effective aid; a successful outcome to the Doha Round of trade talks; more emphasis on strengthening programs in health care, education, and nutrition; and financing and technology transfers to support climate change mitigation and adaptation.

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[1] See "Progress Toward Nutrition, Health, Education, and Other Development Goals Off Track, *Global Monitoring Report* Finds," PR 08/75. The GMR can be found on the IMF's Web site, at www.imf.org/external/pubs/ft/gmr/2008/eng/gmr.pdf.

Box 4.3 Scaled-up aid to low-income countries: Operational implications

In July 2007, the Executive Board discussed the operational implications of scaled-up aid for IMF advice and program design. Noting that scaling up of aid had not yet been widely observed, Executive Directors reiterated that IMF engagement in low-income countries should continue to be focused on the Fund's core areas. They welcomed the finding that Fund-supported programs had become more accommodating of the use of aid and more supportive of pro-poor spending.

Executive Directors supported a focus on identifying best practices for the design of macroeconomic policies in IMF-supported programs in the context of scaled-up but volatile and uncertain aid flows, stressing that, in an environment of scaled-up aid, macroeconomic policy formulation should be based on a longer-term view of spending plans and potential resource availability, with medium-term frameworks the appropriate policy tools for this purpose. Observing that aid disbursements are often volatile, they saw merit in smoothing expenditures over time so that programs are adequately funded, and underscored the need for careful monitoring of spending to ensure debt sustainability, noting that inefficient spending would simply add to debt burdens without improving economic and social outcomes.

Executive Directors underscored the importance of coordinating fiscal, monetary, and exchange rate policies in managing aid inflows, and many noted that scaling up strengthened the case for exchange rate flexibility, while a regime of managed floating could pose difficult challenges for policy and program design. They saw a continuing critical role for the Fund in advising member countries on exchange rate policies and recommended that monetary programs should seek to reconcile the absorption of aid with price stability and reserve adequacy, while avoiding the crowding out of private investment.

Executive Directors considered that measures for eventually reducing reliance on aid should be an integral component of macroeconomic policy for managing scaled-up aid. They emphasized that strengthening fiscal institutions and public financial management (PFM) systems is critical for effective use of scaled-up aid and called upon low-income countries to prepare appropriately sequenced and prioritized action plans for strengthening their PFM systems, based on a diagnostic assessment of existing systems. These plans should prioritize reform measures consistent with local capacity to undertake such reforms. With the growing trend toward decentralization, Executive Directors emphasized the need for effective PFM systems at subnational levels, where much social spending takes place. Executive Directors stressed the need for continued donor support, including TA, to low-income countries for developing and implementing PFM action plans.

Food and fuel prices

In FY2008, the Fund set up an interdepartmental task force on food and fuel prices, which presented its work program to the Executive Board at a briefing in April 2008. The Board had a wide-ranging discussion on the appropriate response to the food and fuel crisis, use of Fund facilities, and provision of policy advice. The Board approved the work program, and the work of the task force is proceeding on three fronts: diagnosing the problem; collaborating with other institutions participating in the High-Level Task Force on the Global Food Security Crisis, which includes~~ing~~ a number of UN agencies ~~such as the Food and Agriculture Organization and the World Food Program,~~ and the World Bank, to ensure that the Fund’s contribution (including financial support) is coordinated with international efforts to address the difficulties posed by price increases; and providing policy advice to the most vulnerable countries, while ensuring that the policies put in place are sustainable over the medium and long terms.

The Fund has provided a comprehensive note on policy options as background for deliberations of the finance ministers of the West African Economic and Monetary Union’s member countries[11] and is advising PRGF-eligible and other countries on possible policy responses to higher food prices, particularly measures that target the poor. In April 2008, Fund staff went to Haiti, a large net importer of food, to assess the impact of rising food

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[11]“Food and Fuel Price Increases in Sub-Saharan Africa: Background Note for WAEMU Meeting on April 23, 2008” can be found on the CD-ROM.

prices on the government's economic program and to discuss the kind of support that would best serve Haiti's needs. A number of countries, mostly in Africa, have asked for extra financial support (through their PRGF arrangements) to cover higher food import costs, and in early FY2009 the Executive Board approved financial support through the PRGF for ~~several~~ seven countries~~, including the Kyrgyz Republic and Mali,~~ whose balance of payments will be severely affected by the rising costs of food and fuel imports. The Board is also considering ways to modify the Exogenous Shocks Facility to enhance its usefulness.

In April 2008, the African Consultative Group met at IMF headquarters in Washington, D.C.,[12] to discuss the impact of high world food and fuel prices and the challenges they present for policymakers in sub-Saharan Africa and globally. The Group agreed that policies should aim at helping those least able to cope with high prices, while not jeopardizing hard-won gains on economic stabilization, and observed that although temporary, targeted subsidies can help protect the most vulnerable from the effect of shocks, it is necessary to ensure that subsidies do not become permanent. Although countries should aim to put in place an efficient social safety net, the Group noted that this is not always easy, and some second-best solutions may be appropriate.

The Group agreed that countries that have a comparative advantage in food production should remove impediments to domestic agricultural production (noting that several were already doing so) and that countries should avoid distortionary policies such as untargeted subsidies. The Managing Director reiterated the IMF's readiness to support countries in designing macroeconomic policies to deal with shocks, including the creation of fiscal space for safety nets. The Group supported the call for bilateral and multilateral donors to substantially increase food aid.

Aid for trade

In September 2007, the Executive Board discussed a joint IMF–World Bank paper on efforts by the multilateral community to support the integration of developing countries into the

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[12]This was the third meeting of the Group, which was formed one year ago to enhance the IMF's policy dialogue with the African Caucus. It comprises members of the African Caucus and the IMF's Managing Director.

global economy.[13] Executive Directors welcomed initiatives by the World Trade Organization (WTO) and other institutions to enhance aid for trade and improve its coordination and delivery. While regretting that trade in products of interest to the poorest countries continues to be subject to many obstacles in both developed and developing economies, Executive Directors pointed out that many existing trade opportunities remain unexploited because of infrastructural and other domestic supply constraints as well as policy weaknesses and governance issues, and that aid for trade could help low-income countries take greater advantage of existing and new trade opportunities. They also noted that benefits from aid for trade could be magnified if accompanied by strengthened policy frameworks, including further trade reforms.

Executive Directors agreed that individual countries' priorities for trade-related reforms and for strengthening competitiveness need to be properly identified with support from trade diagnostic studies under the Enhanced Integrated Framework (EIF) and integrated in national development and poverty reduction strategies. Executive Directors also stressed the importance of securing increased financing for the EIF and urged donors to fulfill their pledges on all trade-related aid.

Program design

In FY2008, the Executive Board concluded a review of the Fund's access policy in the credit tranches and under the EFF and PRGF, and the Fund's exceptional access policy; discussed an IEO report on structural conditionality in IMF-supported programs; and considered a new approach for fragile states under a two-phase Economic Recovery Assistance Program (ERAP).

Access policy

The Executive Board periodically reviews the Fund's access policy—that is, the limits and guidelines that govern the amount of financing the Fund makes available to its members in support of their economic programs. Reviews include consideration of the normal limits applying to the use of resources in the credit tranches (normally under Stand-By

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[13] See "IMF Executive Board Discusses Aid for Trade," PIN 08/14, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2008/pn0814.htm. The paper is available on the IMF's Web site, at www.imf.org/external/np/pp/2007/eng/080107.pdf.

Arrangements) and under the EFF, as well as the framework for exceptional access, which guides decisions on financing beyond the normal limits. Reviews also consider the policies for lending under the PRGF. At the conclusion in February 2008 of the Board's latest review, most Executive Directors agreed that the guidelines and limits underlying the Fund's access policy remain appropriate and supported maintaining the current limits, although some Executive Directors saw a need for increasing access limits, as the resources available to some dynamic members have not kept pace with trade and capital flows. Executive Directors also reaffirmed that access decisions should continue to be guided by a member's need for financing; its capacity to repay its obligations to the Fund, including the strength of its adjustment program; and the amount of its outstanding financial obligations to the Fund. Most Executive Directors considered that the exceptional access framework and the current access limits and norms for lending under PRGF remain broadly appropriate and that no changes are needed at this time.[14]

Structural conditionality in IMF-supported programs

In December 2007, the Board discussed an IEO evaluation of structural conditionality in IMF-supported programs. Executive Directors broadly agreed with the IEO's findings and noted that the IEO assessment gives useful impetus to efforts to make the Fund more focused and relevant. It commended the shift the IEO found in the composition of structural conditionality toward the Fund's core areas, but most Executive Directors expressed concern about the IEO finding that the number of structural conditions had not declined significantly, and that some structural conditionality might have covered areas not critical to program goals. The Board broadly supported strengthened efforts to streamline conditionality, with parsimony as the guiding principle and a focus on measures critical to achieving program objectives. Another area of concern was the IEO's finding that compliance rates on structural conditionality had been low in many cases, and that, often, structural conditionality had not spurred further reforms. To enhance broad national ownership of reforms, the Board called for greater reliance on the authorities' views in setting conditions. The Executive Board

[14]See "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, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2008/pn0830.htm.

considered management's implementation plan for Board-endorsed recommendations in early FY2009.

Fragile states

In March 2008, the Executive Board considered a new approach—a two-phase Economic Recovery Assistance Program (ERAP)—for helping fragile states.[15] Under the first phase of the proposed ERAP, the IMF would provide TA but no financing. The second phase would allow for financing with limited but well-focused conditionality with a view to further strengthening economic performance and policy implementation to enable recipients to meet the standards of upper-credit-tranche financing as quickly as possible.

Executive Directors generally agreed that there was scope to improve the Fund's capacity to assist low-income fragile states, with many seeing merit in a graduated, flexible, medium-term programmatic approach. They stressed that the Fund should focus on helping fragile states rebuild their institutional capacity to implement macroeconomic policy advice and basic economic reforms. There was agreement that the Fund's engagement could help catalyze international financial support for the country and lay the groundwork for debt relief. Many Executive Directors also saw merit in the proposed approach, while a number of others considered that the necessary improvements in the Fund's engagement with low-income fragile states could be achieved in the context of the Fund's existing toolkit of TA, surveillance, assessment letters, Staff-Monitored Programs, and EPCA. Management will return to the Board with operational proposals that reflect the Board's views; the results of outreach to member countries conducted during the IMF–World Bank spring meetings in April 2008; and further planned outreach to donors and other stakeholders.

[15]The Fund roughly defines fragile states as countries (including post-conflict countries) whose economic and social performance is substantially impaired by weak governance, limited administrative capacity, persistent social tensions, and a tendency to conflict and political instability. The summing up of the Board discussion can be found on the CD-ROM and on the IMF's Web site: "IMF Executive Board Discusses the Fund's Engagement in Fragile States and Post-Conflict Countries—A Review of Experience," PIN 08/43, www.imf.org/external/np/sec/pn/2008/pn0843.htm. The Board's discussion was based on a staff paper, "The Fund's Engagement in Fragile States and Post-Conflict Countries—A Review of Experience—Issues and Options," which can also be found on the IMF's Web site, www.imf.org/external/np/pp/eng/2008/030308.pdf.

BUILDING INSTITUTIONS AND CAPACITY

The Fund's TA and training are critical instruments in helping member countries design and implement good policies, thereby contributing to the stability of the global economy. 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 needs to prioritize and to adopt a more strategic approach, and therefore reforms have been undertaken as part of the refocusing of the Fund's work to enhance the impact of its capacity-building activities.

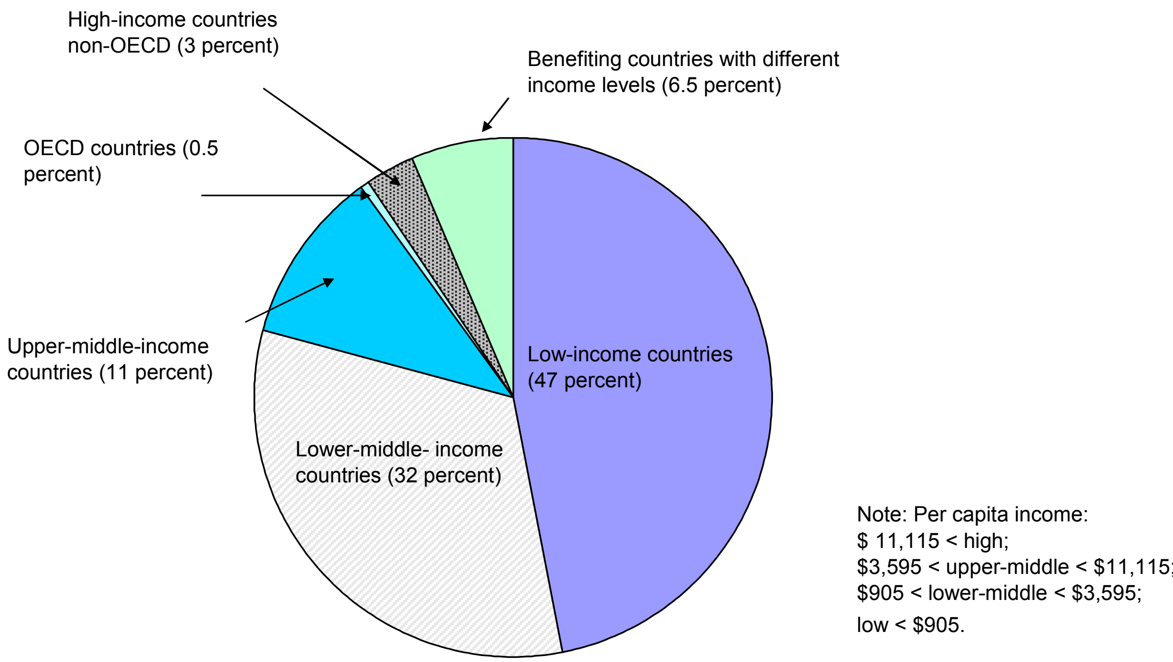
Strengthening the effectiveness and efficiency of TA

The IMF provides TA in its core areas of expertise—namely, macroeconomic, monetary, exchange rate, and tax policy; revenue administration; expenditure management; financial sector stability; legislative frameworks; and macroeconomic and financial statistics. About 80 percent of the Fund's TA is provided to low- and lower-middle-income countries (Figure 4.2). The substantial changes being made to Fund TA have a number of objectives, including[16]

- enhancing the integration of TA with Fund surveillance and lending;
- improving prioritization of TA by better aligning it with the strategic objectives of recipient countries and the Fund;
- better integrating TA into the Fund's medium-term budget to make it easier to set priorities and to allow TA to be more responsive to changes in priorities;
- widening the dissemination of TA findings to increase sharing of lessons learned and facilitate coordination with donors and other TA providers;
- making TA evaluations more systematic through the introduction of performance indicators; and
- enhancing budgeting, costing, and financing of TA.

[16]A paper on TA reforms was prepared by the Fund's Office of Technical Assistance Management, in collaboration with other departments, and submitted to the Executive Board in FY2008. At a meeting in early FY2009, the Board broadly supported the reforms put forward by the staff. See "IMF Executive Board Discusses Reforms to Enhance the Impact of Fund Technical Assistance," PIN 08/58, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2008/pn0858.htm.

Figure 4.2 Fund TA is focused on low-income and lower-middle-income countries[1]
(TA field delivery in person-years; average over FY2003 – 08)



[1]Excludes the Caribbean Regional Technical Assistance Center.

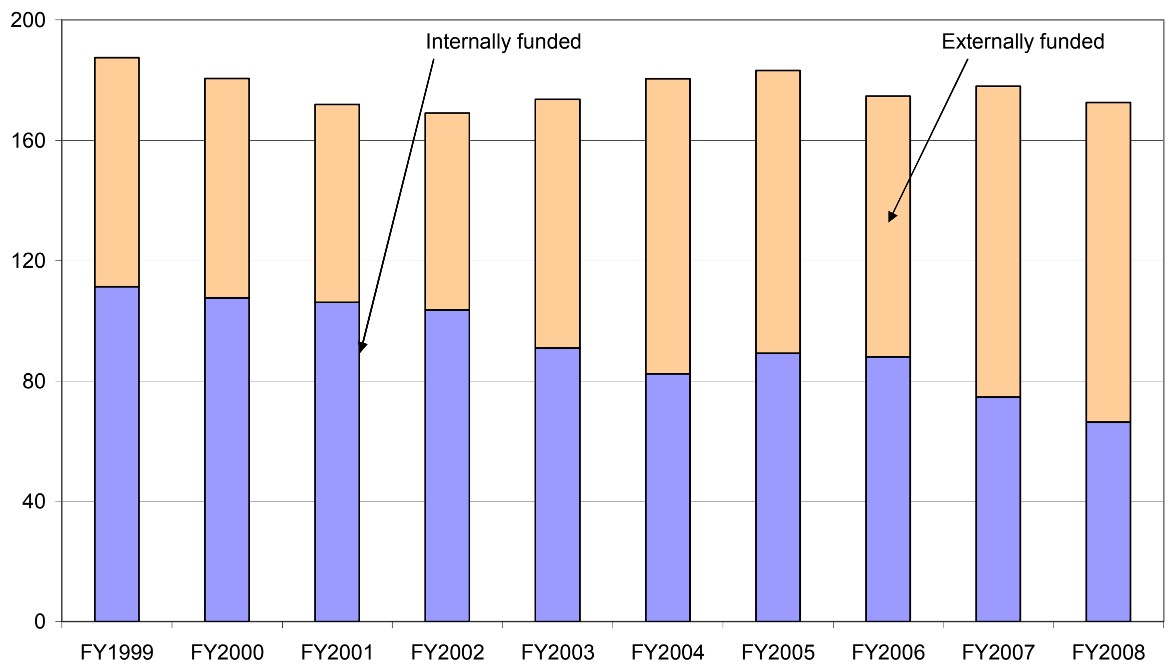
As the primary link between the institution and member countries, Fund area departments have assumed lead responsibility for setting TA strategies in coordination with country authorities. Presented in Regional Strategy Notes (RSNs), TA plans articulate the priorities shared by the Fund and country authorities. They are portrayed in a medium-term setting to ensure an appropriate balance between short-term policy needs and medium-term capacity-building requirements. The medium-term approach also facilitates full integration of TA plans with the Fund's operating budget and donor timing. Experience with RSNs as a new initiative will be reviewed in FY2009, and refinements made as necessary.

Measuring the performance of Fund TA is a critical aspect of institutional accountability and governance. Plans to strengthen TA governance and performance measurement include (1) introducing quantitative performance indicators Fund-wide to help make the assessment of TA delivery more transparent and accountable; (2) clearly specifying objectives and deliverables against which results can be measured; (3) evaluating TA more systematically; (4) costing TA more accurately and transparently; and (5) considering a broader charging scheme for TA, which could further improve efficiency and accountability in resource use by subjecting TA to a "value-for-money" market test.

Pressures on Fund finances will continue to dictate that resource use be even better planned and more transparently managed than before, and the Fund is exploring ways to harness new external resources for TA and increasing its engagement with donor partners (Figure 4.3). At the same time, however, financing options need to take into account the unique nature of Fund TA, which not only contains elements of a public good benefiting the international economy, but also enhances the effectiveness of aid flows generally.

Figure 4.3 External funds have increasingly financed TA field delivery

(Person-years)



The Fund's six regional TA centers (RTACs)—in the Pacific; the Caribbean; East, West, and Central Africa; and the Middle East—provide a particularly vivid illustration of successful Fund-donor collaboration. The RTACs receive the bulk of their funding from donor countries, international agencies, and regional development banks, many of which have singled out the RTACs' governance structure for special praise. Under this framework, strategic guidance for each center's work program is provided by a steering committee comprising representatives from beneficiary countries, donors, and the Fund, an arrangement that has ensured strong ownership of each center's activities by all stakeholders. In light of the positive experience with RTACs, plans are being pursued to establish new centers, including in Central America, Central Asia, West Africa, and southern Africa. Because RTACs have a more hands-on approach, they complement topical trust funds, which could support more specialized TA on specific issues. Donor interest and participation in both initiatives are expected to be strong.

Selected TA activities in FY2008

TA is provided by a number of Fund departments; the largest providers include Fiscal Affairs (FAD), Monetary and Capital Markets (MCM), and Statistics (STA).

FAD helps IMF member countries improve fiscal policies and institutions, including by strengthening their macro-fiscal frameworks, reforming tax and expenditure policies, and modernizing public financial management (PFM) and revenue administration. In FY2008, demand was particularly strong for TA in PFM, expenditure policy, natural resource taxation, and VAT implementation. In addition to providing advice on a range of matters related to the budgetary process, the department launched a blog on PFM on the IMF's Web site to share its experience and expertise with practitioners and the public, and organized two seminars on performance budgeting. It also provided TA related to the financial oversight of public-private partnerships, and advised countries on how to address the distributional implications of macro-critical reforms with respect to subsidies, domestic pricing mechanisms, and tariffs and taxes, among other things. TA related to tax policy and revenue administration covered such areas as fiscal regimes for natural resource–rich countries; design, reform, and implementation of VAT systems; regional tax coordination; and customs modernization. Regional courses and workshops are an important component of TA on tax policy. In post-conflict countries, FAD provided TA on performance budgeting, PFM, and the rebuilding of revenue administration capacity. FAD also arranged the International Tax Dialogue Conference, Taxation of Small and Medium-Size Enterprises in Buenos Aires in October 2007, jointly with the World Bank, the OECD, the Inter-American Development Bank, and CIAT (Centro Americano de Administraciones Tributarias).

MCM focuses on the development and integration of capital and financial markets as well as on monetary policy and operations. It has been working to help Central American countries harmonize their capital markets, providing diagnostic and strategic TA to seven countries; publishing studies on public debt, equity, and private debt markets in the region; and organizing regional seminars and participating in other forums organized by regional organizations. It has also organized, with the support of regional and host-country authorities, a series of regional workshops in emerging Asia, emerging Europe, and Latin America on the development of derivatives markets. In connection with the deepening of domestic bond markets in emerging market economies, MCM staff have organized, in collaboration with the World Bank and the Group of 8 (G-8), conferences and dialogues for policymakers, market participants, and foreign investors. MCM also collaborated with the World Bank and the OECD on the organization of a global conference on pension funds and participated in similar regional outreach events organized by Asia-Pacific Economic Cooperation (APEC), OECD, and global and regional pension fund associations.

STA's TA is focused on helping member countries meet internationally accepted data standards. STA works to develop new data series and improve the accuracy and reliability of existing data series in such areas as national accounts and price statistics, government finance, monetary and financial statistics, financial soundness indicators, and balance of payments, international investment positions, and external debt statistics. During FY2008, STA undertook 383 short-term TA missions, 160 of them to sub-Saharan Africa, and placed 14 long-term statistics advisors, 6 of them in the RTACs. (See Chapter 3 for more information about the Fund's work on data and statistics.) It also conducted 40 training courses in macroeconomic statistics through the IMF Institute and the IMF Regional Training Centers (see below) in collaboration with various organizations.

Additionally, the Fund has launched new initiatives to build capacity for public debt and fiscal risk management. A joint IMF–World Bank technical working group is developing a methodological framework for medium-term strategies for the management of public debt in low-income countries, building on the Debt Sustainability Framework. This work was endorsed by the Executive Board at a formal seminar in May 2007 at which it disussed a paper written jointly by IMF and World Bank staff on strengthening public debt management in developing countries.[17] Despite progress made by several countries in strengthening public debt management and the supporting governance framework and in deepening domestic public debt markets, many developing countries—including a number of HIPCs—continue to face policy, institutional, and operational challenges in developing effective frameworks for managing public debt. Underscoring the importance of avoiding a reaccumulation of unsustainable debt, Executive Directors supported a four-year pilot project for providing TA to low-income countries, with preference given to requests from countries that have received debt relief under the MDRI, with a view to helping them build the capacity to develop and implement an effective medium-term debt strategy. To complement TA, Executive Directors broadly supported the Fund's participation in the World Bank's initiative of developing debt management performance indicators, and emphasized the need for coordination between the Fund and the Bank and other providers of TA in the international donor community. The Bank and Fund are also cooperating on improving debt management systems in middle-income countries in the context of a broader asset-liability management framework.

Training by the IMF Institute

The IMF Institute (INS), in collaboration with other IMF departments, trains officials from member countries in four core areas—macroeconomic management, financial sector policies, government budgeting, and the balance of payments—including how to strengthen the statistical, legal, and administrative frameworks in these areas. About three-fourths of the training provided by the Institute benefits low- and lower-middle-income countries, and the Institute's training program accounts for about three-fourths of all IMF training for officials, including training at the regional technical assistance centers (RTACs).

In FY2008, the IMF Institute delivered 303 course-weeks, producing over 9,800 participant-weeks of training (see CD-Table 4.5 on the CD-ROM), an increase of about 16 percent since FY2004. The seven IMF regional training centers (RTCs; see CD-Table 4.6 on the CD-ROM) account for most of this increase. With substantial cofinancing from local cosponsors and other donors, the RTCs have provided a very cost-effective way of expanding

[17]See "IMF Executive Board Discusses Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward," PIN 07/60, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0760.htm. The staff paper can be found on the IMF's Web site, at www.imf.org/external/pp/longres.aspx?id=4189.

training and now account for over half of all Institute training. Training at the RTCs has other advantages: courses can be better attuned to regional needs and foster collaboration within regions. The Institute's distance learning program, which has also benefited from an infusion of donor funds, accounts for much of the remainder of the increase in training. Training at IMF headquarters, which accounts for about one-third of participant-weeks in FY2008, focuses mainly on longer courses, which are less amenable to regional delivery because of the number of IMF staff involved. The remainder of the training in FY2008 took place at overseas locations outside the regional network, largely as part of ongoing collaboration between the IMF Institute and regional institutions. In the tight IMF budget environment, the expansion of training has been greatly facilitated by increased donor funding.

Considerable efforts are being made to deepen the coverage and broaden the content of the INS curriculum, with a view to addressing the needs of member countries and supporting IMF strategic priorities, in a changing global environment. These efforts—which have been guided by extensive input from member countries, discussion with IMF management and other IMF departments, and reviews within INS—have resulted in several new or significantly upgraded courses in recent years. In FY2008, the Institute offered an overhauled version of the headquarters course on financial programming and policies, which provides much more extensive treatment of balance sheet vulnerabilities and capital account crises; another new variant of this course, placing the design of macroeconomic policy more specifically in the context of a formal or informal inflation targeting regime; and a two-week version for delivery outside of Washington of the four-week course at headquarters on macroeconomic diagnostics.

The Institute also continues to deliver a small number of short seminars for high-level officials, including ministers and central bank governors, with a view to generating a constructive dialogue on policy issues of global or regional importance between member country officials and experts in the international financial institutions, academia, and financial markets. Seminars in FY2008 included the Market and Policy Implications of the Crisis in Asset-Backed Commercial Paper, African Finance for the 21st Century, and Intergovernmental Fiscal Relations in Latin American Countries.

Table 4.1 IMF lending facilities

Credit facility (year established)	Purpose	Conditions	Phasing and monitoring	Access limits[1]	Charges[2]	Repurchase (repayment) terms[3]		
						Obligation schedule *(Years)*	Expectation schedule *(Years)*	Installments
Credit tranches and Extended Fund Facility[4]								
Stand-By Arrangements (1952)	Medium-term assistance for countries with balance of payments difficulties of a short-term character.	Adopt policies that provide confidence that the member's balance of payments difficulties will be resolved within a reasonable period.	Quarterly purchases (disbursements) contingent on observance of performance criteria and other conditions.	Annual: 100% of quota; cumulative: 300% of quota.	Rate of charge plus surcharge (100 basis points on amounts above 200% of quota; 200 basis points on amounts above 300% of quota).[5]	3¼–5	2¼–4	Quarterly
Extended Fund Facility (1974) (Extended Arrangements)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term character.	Adopt 3-year program, with structural agenda, with annual detailed statement of policies for the next 12 months.	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions.	Annual: 100% of quota; cumulative: 300% of quota.	Rate of charge plus surcharge (100 basis points on amounts above 200% of quota; 200 basis points on amounts above 300% of quota).	4½–10	4½–7	Semiannual

Table 4.1 *(continued)*

Credit facility (year established)	Purpose	Conditions	Phasing and monitoring	Access limits[1]	Charges[2]	Repurchase (repayment) terms[3] Obligation schedule *(Years)*	Expectation schedule *(Years)*	Installments
Special facilities								
Supplemental Reserve Facility (1997)	Short-term assistance for balance of payments difficulties related to crises of market confidence.	Available only in context of Stand-By or Extended Arrangements with associated program and with strengthened policies to address loss of market confidence.	Facility available for one year; frontloaded access with two or more purchases (disbursements).	No access limits; access under the facility only when access under associated regular arrangement would otherwise exceed either annual or cumulative limit.	Rate of charge plus surcharge (300 basis points, rising by 50 basis points a year after first disbursement and every 6 months thereafter to a maximum of 500 basis points).	$2\frac{1}{2}$–3	2–$2\frac{1}{2}$	Semiannual
Compensatory Financing Facility (1963)	Medium-term assistance for temporary export shortfalls or cereal import excesses.	Available only when the shortfall/excess is largely beyond the control of the authorities and a member has an arrangement with upper credit tranche conditionality, or when its balance of payments position excluding the shortfall/excess is satisfactory.	Typically disbursed over a minimum of six months in accordance with the phasing provisions of the arrangement.	45% of quota each for export and cereal components. Combined limit of 55% of quota for both components.	Rate of charge.	$3\frac{1}{4}$–5	$2\frac{1}{4}$–4	Quarterly

Table 4.1 *(continued)*

Credit facility (year established)	Purpose	Conditions	Phasing and monitoring	Access limits[1]	Charges[2]	Repurchase (repayment) terms[3]		
						Obligation schedule *(Years)*	Expectation schedule *(Years)*	Installments
Emergency Assistance	Assistance for balance of payments difficulties related to the following:		None, although post-conflict assistance can be segmented into two or more purchases.	Generally limited to 25% of quota, though larger amounts can be made available in exceptional cases.	Rate of charge; however, the rate of charge may be subsidized to 0.5 percent a year, subject to resource availability.	3 1/4–5	Not applicable	Quarterly
(1) Natural disasters (1962)	Natural disasters	Reasonable efforts to overcome balance of payments difficulties.						
(2) Post-conflict (1995)	The aftermath of civil unrest, political turmoil, or international armed conflict	Focus on institutional and administrative capacity building to pave the way toward an upper credit tranche arrangement or PRGF.						

Table 4.1 ***(continued)***

Credit facility (year established)	Purpose	Conditions	Phasing and monitoring	Access limits[1]	Charges[2]	Repurchase (repayment) terms[3]		
						Obligation schedule *(Years)*	Expectation schedule *(Years)*	Installments
Facilities for low-income members								
Poverty Reduction and Growth Facility (1999)	Longer-term assistance for protracted balance of pay-ments problems of structural nature; aims at sustained poverty-reducing growth.	Adopt 3-year PRGF arrangements. PRGF- supported programs are based on a Poverty Reduction Strategy prepared by the country in a participatory process and integrat-ing macroeconomic, structural, and poverty reduction policies.	Semiannual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews.	140% of quota; 185% of quota in exceptional circumstances.	0.5%	5 1/2–10	Not applicable	Semiannual
Exogenous Shocks Facility (2006)	Short-term assistance to address a temporary balance of payments need that is due to a sudden shock.	Adopt a 1–2 year program involving macro-economic adjust-ments allowing the member to adjust to the shock and structural re-form considered important for ad-justment to the shock, or for mitigating the impact of future shocks.	Semiannual or quarterly disbursements on observance of performance criteria and, in most cases, completion of a review.	Annual: 25% of quota (norm for annual access); cumulative: 50% of quota except in exceptional. circumstances.	0.5%	5 1/2–10	Not applicable	Semiannual

Table 4.1 *(concluded)*

[1]Except for PRGF, the IMF's lending is financed from the capital subscribed by member countries; each country is assigned a *quota* that represents its financial commitment. A member provides a portion of its quota in foreign currencies acceptable to the IMF—or SDRs (see Box 5.2)—and the remainder in its own currency. An IMF loan is disbursed or drawn by the borrower *purchasing* foreign currency assets from the IMF with its own currency. Repayment of the loan is achieved by the borrower *repurchasing* its currency from the IMF with foreign currency. PRGF lending is financed by a separate PRGF Trust.
[2]The *rate of charge* on funds disbursed from the General Resources Account (GRA) is set at a margin over the weekly interest rate on SDRs. The rate of charge is applied to the daily balance of all outstanding GRA drawings during each IMF financial quarter. In addition, a one-time service charge of 0.5 percent is levied on each drawing of IMF resources in the GRA, other than reserve tranche drawings. An up-front commitment fee (25 basis points on committed amounts up to 100 percent of quota, 10 basis points thereafter) applies to the amount that may be drawn during each (annual) period under a Stand-By or Extended Arrangement; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement.
[3]For purchases made after November 28, 2000, members are expected to make repurchases (repayments) in accordance with the schedule of expectation; the IMF may, upon request by a member, amend the schedule of repurchase expectations if the Executive Board agrees that the member's external position has not improved sufficiently for repurchases to be made.
[4]*Credit tranches* refer to the size of purchases (disbursements) in terms of proportions of the member's quota in the IMF; for example, disbursements up to 25 percent of a member's quota are disbursements under the *first* credit tranche and require members to demonstrate reasonable efforts to overcome their balance of payments problems. Requests for disbursements above 25 percent are referred to as *upper* credit tranche drawings; they are made in installments as the borrower meets certain established performance targets. Such disbursements are normally associated with a Stand-By or Extended Arrangement. Access to IMF resources outside an arrangement is rare and expected to remain so.
[5]Surcharge introduced in November 2000.

5. Governance, organization, and finances

The financial year that ended on April 30, 2008, was a pivotal one of reform and change in the governance, organization, and finances of the Fund.

Efforts over the past few years to enhance the IMF's governance reached a milestone in April 2008 with the approval by the Board of Governors of a dynamic and forward-looking package of quota and voice reforms proposed by the Executive Board. The approved reforms are a significant achievement for the membership, which is seeking to rebalance quotas to reflect the many changes that have occurred in the world economy in recent years—especially the growing economic importance of some of the emerging market countries—and to increase the voice of low-income countries in the Fund's deliberations.

The Executive Board also made considerable progress in placing the Fund's finances on a sound footing. It reached agreement on a new income model, which was approved by the Board of Governors in early FY2009, and approved a medium-term budget that will achieve substantial savings in administrative expenditures.

Other reforms undertaken during FY2008, which were aimed at ensuring the Fund's ability to meet its members' needs despite tightened budget constraints, include increased collaboration with the World Bank and other organizations; a more focused and effective communications strategy; and mechanisms for improving accountability and risk management.

QUOTA AND VOICE REFORM

On April 28, 2008, the Board of Governors adopted by a large margin a package of important governance reforms proposed by the Executive Board.[1] The reforms are aimed at better aligning the quotas and voting shares (see Box 5.1) of Fund member countries with

[1] See "IMF Executive Board Recommends Reforms to Overhaul Quota and Voice," PR 08/64, and "IMF Board of Governors Adopts Quota and Voice Reforms by Large Margin," PR 08/93, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0864.htm and www.imf.org/external/np/sec/pr/2008/pr0893.htm, respectively. See also Resolution 63-2 on the CD-ROM; "Reform of Quota and Voice in the International Monetary Fund—Report of the Executive Board to the Board of Governors," on the IMF's Web site, at www.imf.org/external/np/pp/eng/2008/032108.pdf..

their weight and role in the global economy and, equally important, enhancing the participation and voice of low-income countries, in which the Fund plays an important financing and advisory role. The Board proposal was part of a two-year reform program approved at the 2006 IMF–World Bank Annual Meetings in Singapore, when initial ad hoc increases in quotas[2] were agreed for China, Korea, Mexico, and Turkey, four of the Fund's most clearly underrepresented member countries.

Reform package

The main elements in the reform package are as follows:

- ***A more transparent quota formula.*** The reform is based on a simpler, more transparent quota formula than the previous five-formula system. The new quota formula contains four variables—GDP, openness, variability, and reserves—with weights of 50 percent, 30 percent, 15 percent, and 5 percent, respectively. The GDP variable is a blend of 60 percent of GDP at market exchange rates and 40 percent of GDP at purchasing power parity (PPP) exchange rates. A "compression factor" raises the formula by a power of 0.95, with the effect of reducing the share calculated under the formula for the largest members and raising those for all other countries.[3]
- ***A second round of ad hoc quota increases.*** Together with the 2006 ad hoc adjustments, the cumulative increase in quotas under the reform is 11.5 percent. All members underrepresented under the new formula are eligible for a quota increase under the reform. The following three elements are also included in allocating second-round quota increases:
    - To reinforce the objectives of the reform, several underrepresented advanced countries—Germany, Ireland, Italy, Japan, Luxembourg, and the United

[2] Ad hoc quota increases for specified members can be approved either during or outside a general review of quotas.

[3] Detailed information about the new quota formula, changes in quota and voting shares for individual members, and the proposed quotas for members eligible for ad hoc quota increases can be found in the "Reform of Quota and Voice in the International Monetary Fund—Report of the Executive Board to the Board of Governors." This and other key reports related to the Executive Board's deliberations on the reform can be found at www.imf.org/external/np/fin/quotas/pubs/index.htm.

States—agreed to forgo part of the quota increases for which they are eligible.

    - Underrepresented emerging market and developing economies with actual quota shares substantially below their share in global GDP in terms of PPP are to receive a minimum nominal quota increase of 40 percent.
    - The four members that received quota increases in the first round in 2006 remain substantially underrepresented and are to receive a minimum nominal second-round increase of 15 percent.

- ***Five-year reviews.*** To ensure that quota and voting shares continue to reflect developments in the weight of member economies, and to make further progress in closing the gap between actual quota share and shares calculated under the new quota formula, the reform package calls for the Executive Board to recommend further realignments of quota shares in the context of future general quota reviews, which occur every five years.
- ***Increased voice for low-income countries.*** The proposal enhances the voice and participation of low-income countries through two measures requiring an amendment to the IMF's Articles of Agreement:
    - *A tripling of the basic votes of all members*—the first such increase since the Fund's inception. A mechanism is also to be established under the amendment to protect the share of basic votes in total votes going forward.
    - *Additional Alternate Executive Director for chairs representing a large number of countries.* This will benefit the two Executive Directors representing African constituencies.

Resulting realignment

As a result of the reform, 54 countries will receive an increase in their nominal quotas, ranging from 12 to 106 percent each, with some of the largest gains going to the dynamic emerging market economies. The combined increase in quota shares for these 54 countries is 4.9 percentage points.

In total, 135 countries will see an increase in voting share of 5.4 percentage points thanks to the combined effects of the increases in quotas and basic votes. Among countries that will see the biggest increase in voting share are Brazil, China, India, Korea, and Mexico.

The proposed amendment of the Fund's Articles of Agreement on basic votes and Alternate Executive Directors will enter into force when the Fund certifies, by a formal communication to all members, that three-fifths of IMF members representing 85 percent of the total voting power have accepted it. Increases in quotas will not become effective until the proposed amendment enters into force. In addition, to become effective, these increases will require consent and payment on the part of eligible member countries. Consents for the proposed quota increases are to be received by October 31, 2008; the Executive Board may extend this period, taking into account, in particular, the need of members to obtain domestic legislative approval. Payment is to be received within 30 days of the later of (1) notification of consent or (2) entry into force of the amendment to the Articles on basic votes and Alternate Executive Directors.

Governance reform at the Fund is an ongoing process, and completion of the reform agenda approved in Singapore will open the door for further reforms in the future.

~~The approved quota and voice reform marks an important first step in what will be an ongoing process. Looking ahead, the Resolution calls on the Executive Board to recommend further realignments in the course of future general reviews of quotas if it deems that they are necessary (see below).~~

Box 5.1. The role of quotas and basic votes

The quota assigned to each of the IMF's member countries is based broadly on the size and other key characteristics of its economy, and it plays an important role in the country's relationship with the Fund. Quotas determine member countries' contribution to the Fund's financial resources, the amount of financial assistance they are eligible to receive from the Fund, their share of Special Drawing Right (SDR) allocations (see Box 5.2), and, in combination with "basic votes," their voting power.

Under the Fund's Articles of Agreement, each member was originally allotted 250 basic votes plus one vote per SDR 100,000 of its quota.[1] Article XII, Section 5*(a)* was adopted as a balance between two alternative bases for determining voting power. On the one hand, given the Fund's role as a financial institution, it was recognized that a member's voting power should reflect the size of its financial contribution to the Fund. On the other hand, it was considered necessary that the Fund, as an intergovernmental organization constituted through a multilateral treaty, pay due regard to the equality of states under international law. The role of basic votes is to enhance the relative voting power of members whose quotas are below the average for the membership as a whole; many of these members are low-income countries.

~~Total quotas have increased significantly since the Fund was established, with the growth of its membership; ad hoc quota increases; and quota increases in the course of general reviews, which are conducted at least once every five years. At the same time, the Articles have never been amended to increase basic votes; thus, the share of basic votes in total voting power has declined to 2.1 percent.~~ The tripling of basic votes will raise the~~is~~ ratio of basic votes to total votes from 2.1 percent to 5.5 percent. A key objective of the amendment is to ensure that this new ratio, by being expressly provided for in the Articles, will not decline as a result of any quota increases that may take place after the amendment becomes effective.

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[1] Upon joining the IMF, a country normally pays up to one-fourth of its quota in a widely accepted foreign currency (such as the U.S. dollar, euro, yen, or pound sterling) or in SDRs and the remaining three-fourths in its own currency.

ADEQUACY OF FUND RESOURCES

The IMF conducts general reviews of members' quotas at least once every five years to assess the adequacy of its resource base and to adjust the quotas of individual members to reflect changes in their relative positions in the world economy. The Executive Board approved on December 28, 2007, a report to the Board of Governors recommending that the Thirteenth General Review of Quotas be concluded without an increase or any adjustments to quotas, noting in its report to the Board of Governors that while the size of the Fund has declined against a range of economic and financial indicators, the IMF's current liquidity position is at an all-time high. The Board also noted its intention to monitor closely and assess the adequacy of IMF resources during the Fourteenth General Review, which began upon completion of the Thirteenth Review. The Board of Governors adopted a Resolution concluding the Thirteenth General Review effective January 28, 2008.[4] Total quotas stood at SDR 217.4 billion on April 30, 2008.

FINANCIAL OPERATIONS AND POLICIES

Income, charges, remuneration, and burden sharing

Since its inception, the IMF has operated based on an income model heavily reliant on income from its lending activities, which may fluctuate widely, depending on members' financing needs. In this model, the IMF earns income from interest charges and fees levied on its lending and uses that income to meet funding costs and administrative expenses and to build up precautionary balances. On April 7, 2008, the Executive Board agreed on a substantial reform of the Fund's income model; the reform will allow the IMF to establish other steady and reliable long-term sources of income in the coming years (see below).

The basic rate of charge (the interest rate) on regular lending under the current income model is determined at the beginning of each financial year as a margin in basis points above the SDR interest rate (see Box 5.2). For FY2008, the Board agreed to keep the margin for the rate of charge unchanged from FY2007, at 108 basis points above the SDR interest rate. For FY2009, the Board decided to lower the margin to 100 basis points, guided by the principles that the margin should cover the Fund's intermediation costs and the buildup of reserves, and that it should be broadly aligned with long-term credit market conditions. This new approach to setting the margin is expected to make the rate of charge more stable and predictable, fulfilling one of the goals of adopting a new income model.

Box 5.2. Special Drawing Rights

The SDR is a reserve asset created by the IMF in 1969 in response to the threat of a shortage of international liquidity. SDRs are "allocated"—distributed—to members in proportion to their IMF quotas. Since the SDR's creation, a total of SDR 21.4 billion has been allocated to members—SDR 9.3 billion in 1970–72 and SDR 12.1 billion in 1979–81.Today, the SDR has only limited use as

[4]See "IMF Executive Board Recommends to Governors Conclusion of Thirteenth General Quota Review," PR 08/02, and "IMF Board of Governors Approves Conclusion of Quota Review," PR 08/13, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0802.htm and www.imf.org/external/np/sec/pr/2008/pr0813.htm, respectively.

a reserve asset. Its main function is to serve as the unit of account of the IMF and some other international organizations and a means of payment for members in settling their IMF financial obligations. The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. Holders of SDRs can obtain these currencies in exchange for their SDRs in two ways: first, through the arrangement of voluntary exchanges between members; and second, by the IMF designating members with strong external positions to purchase SDRs from members with weak external positions in exchange for freely usable currencies.

The value of the SDR is based on the weighted average of the values of a basket of major international currencies, and the SDR interest rate is a weighted average of interest rates on short-term instruments in the markets for the currencies in the valuation basket. The method of valuation is reviewed every five years. The latest review was completed in November 2005, and the IMF Executive Board decided on changes in the valuation basket effective January 1, 2006. The SDR interest rate is calculated weekly and provides the basis for determining the interest charges on regular IMF financing and the interest rate paid to members that are creditors of the IMF.

Surcharges (level-based) are levied on large use of credit in the credit tranches and under Extended Arrangements. The IMF also levies surcharges on shorter-term financing under the Supplemental Reserve Facility (SRF) that vary according to the length of time credit is outstanding (see Table 4.1).

In addition to charges and surcharges, the IMF receives income from borrowers in the form of service charges, commitment fees, and special charges. A service charge of 0.5 percent is levied on each credit disbursement from the General Resources Account (GRA). A refundable commitment fee on Stand-By and Extended Arrangements is charged on the amounts that may be drawn during each 12-month period under an arrangement. The fee—0.25 percent on amounts committed up to 100 percent of quota (and 0.10 percent thereafter)—is refunded as credit is used in proportion to the drawings made. The IMF also levies special charges on overdue principal and on charges that are overdue by less than six months.

On the expenditure side, the IMF pays interest (remuneration) to member countries based on their creditor positions with the Fund (known as reserve tranche positions). The basic rate of remuneration is currently set at the SDR interest rate. The Articles of

Agreement permit the basic rate of remuneration, less any burden-sharing adjustments, to be set no lower than 80 percent of the SDR interest rate.

The rates of charge and remuneration are adjusted under a burden-sharing mechanism established in the mid-1980s that distributes the cost of overdue financial obligations to the Fund equally between creditor and debtor members. Loss on income from interest charges that are overdue (unpaid) for six months or more is recovered by increasing the rate of charge and reducing the rate of remuneration. The amounts thus collected are refunded when the overdue charges are settled. In FY2008, the average adjustments for unpaid interest charges resulted in an increase to the basic rate of charge and a reduction in the rate of remuneration of 19 and 17 basis points, respectively. The adjusted rates of charge and remuneration averaged 4.90 percent and 3.47 percent, respectively, in FY2008.

The burden-sharing mechanism also contemplates adjusting the basic rates of charge and remuneration to generate resources to protect the IMF against the risk of loss resulting from arrears; those resources are kept in the Special Contingent Account (SCA-1). Effective November 2006, however, the Board decided to suspend additional contributions to the SCA-1. On March 14, 2008, a partial distribution of SDR 525 million from the SCA-1 was made following arrears clearance by Liberia and as part of a financing package to fund IMF debt relief for Liberia through bilateral contributions (see Chapter 4).

Income in FY2008 was SDR 55 million short of expenditures. The continued low level of IMF credit outstanding negatively affected the income situation. The lower lending income was partly offset by the strong performance of the Investment Account (IA), which was established in April 2006 and funded in June 2006. The IA earned a cumulative return of 5.31 percent, net of fees, outperforming the three-month SDR interest rate by 161 basis points. Overall, the IA benefited from movements in government bond yields, reflecting policy interest rate cuts in the United States and the United Kingdom and a flight to quality spurred by recent turmoil in financial markets.

The IMF's new income model

The Executive Board reached a landmark agreement in April 2008 to revamp the IMF's income model, which, together with a new medium-term budget (see below), is expected to put the institution's finances on a sound footing. Support from the membership was broad, with the IMFC endorsing the new income-expenditure framework in its Communiqué of April 2008. In May 2008, the Board of Governors overwhelmingly approved the related proposed amendment of the IMF's Articles of Agreement to expand its investment authority.

The IMF's new income model is based on the principles set out in the January 2007 report of the Committee of Eminent Persons.[5] The Committee found that the income model under which the IMF had operated since its inception was not sustainable. Instead, the Committee recommended a set of measures that would provide the IMF with additional broad-based and predictable income sources more suitable for financing the wide range of its functions and responsibilities, which include public goods such as surveillance of members' economic policies.

Building on the Committee's recommendations, in late FY2008 the Executive Board agreed on the following measures:[6]

- **Proposing an amendment of the Articles of Agreement to expand the Fund's investment authority,** which would allow the Fund to broaden its investments and enable it to adapt its investment strategy as best practices evolve. It is expected that this measure will increase average returns and also diversify the sources of these returns. Given the public nature of the funds to be invested, the investment policies adopted by the Executive Board under the new authority would take into account, among other things, a careful assessment of acceptable levels of risk. For the foreseeable future, it is intended that these policies will rely on a passive investment approach that closely tracks widely used benchmark indices.

- **Establishing an endowment** to be funded by the profits from the sale of some of the IMF's gold holdings. The sale would be strictly limited to the 403 metric tons acquired after the date of the Second Amendment of the Articles of Agreement,

[5]The report can be found at www.imf.org/external/np/oth/2007/013107.pdf.

[6]See "IMF Managing Director Strauss-Kahn Applauds Executive Board's Landmark Agreement on Fund's New Income and Expenditure Framework," Press Release 08/74, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0874.htm.

which accounts for one-eighth of the IMF's gold holdings. The endowment would be invested with the objective of generating income while preserving the long-term real value of its resources. A decision authorizing the sale of gold has not yet been taken, but all Executive Directors have indicated either that they are ready to vote in favor of such a decision, or that they will seek approval from their domestic legislatures to enable them to vote in favor of such a decision. Gold sales would be conducted under strong safeguards to ensure that they do not add to the announced volume of official sales to avoid causing disruptions that would adversely affect gold holders and gold producers, as well as the functioning of the gold market.

- **Resuming annual reimbursements of the General Resources Account.** The long-standing practice of recovering the expenses incurred by the Fund in administering the PRGF-ESF Trust will be restored starting from the financial year in which the Executive Board adopts a decision authorizing the sale of the current stock of post–Second Amendment gold. The Trust's capacity for concessional lending will be protected, including by temporarily suspending reimbursement if its resources are likely to be insufficient to support anticipated demand for concessional assistance.

The Committee had also recommended that the IMF invest an equal proportion of the quota resources subscribed by all members as a further source of income that could be varied over the medium term. This proposal, which would also require an amendment of the IMF's Articles, was discussed extensively by the Executive Board. While it received strong support from many Executive Directors, some could not back this option. Accordingly, the investment of quota resources did not have sufficient acceptance from the membership to make it a component of the new income model.

The adoption of all the elements of the new income model may take some time. The proposed amendment of the Articles of Agreement to expand the IMF's investment authority will come into effect when it has been accepted by three-fifths of the members having 85 percent of the total voting power, and this acceptance will require legislative action in most member countries. Gold sales can begin once they are authorized by the

Executive Board with an 85 percent majority of the total voting power (some members need to seek legislative approval before they can vote in favor of gold sales), and sales on the market would also be phased over time. Hence, net income shortfalls may continue for a few years until the full benefits of the new income measures and expenditure reductions are realized; the IMF's accumulated reserves will continue to be used to cover these shortfalls.

Borrowing arrangements

In November 2007, the Executive Board approved a five-year renewal of standing credit arrangements—the New Arrangements to Borrow (NAB) and the General Arrangements to Borrow (GAB)—between the IMF and a group of members and official institutions whereby they can provide supplementary resources of up to SDR 34 billion (about $54 billion) to the IMF to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system.[7] The NAB became effective in November 1998, the GAB in 1962.

Arrears to the IMF

Liberia cleared its arrears to the Fund in March 2008 (see Chapter 4). As a result, overdue financial obligations to the IMF (including as Trustee) fell substantially, from SDR 1.89 billion at April 30, 2007, to SDR 1.34 billion at end-April 2008 (Table 5.1). Sudan accounted for about 76 percent of remaining arrears, and Somalia and Zimbabwe for 18 and 6 percent, respectively. At end-April 2008, all arrears to the IMF were protracted (outstanding for more than six months); one-third consisted of overdue principal, the remaining two-thirds of overdue charges and interest. More than four-fifths represented arrears to the General Resources Account (GRA), and the remainder to the SDR Department, the Trust Fund, and the PRGF-ESF Trust. Zimbabwe is the only country with protracted arrears to the PRGF-ESF Trust.

[7]See "IMF Executive Board Approves Renewal of Standing Borrowing Arrangements," PR 07/270, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2007/pr07270.htm.

Table 5.1 Arrears to the IMF of countries with obligations overdue by six months or more, by type
(In millions of SDRs; as of April 30, 2008)

		By type			
	Total	General Department (incl. SAF)[1]	SDR Department	Trust Fund	PRGF-ESF
Somalia	238.7	217.1	13.5	8.1	0.0
Sudan	1,015.7	935.6	0.0	80.0	0.0
Zimbabwe	87.0	0.0	0.0	0.0	87.0
Total	**1,341.3**	**1,152.8**	**13.5**	**88.1**	**87.0**

Source: IMF Finance Department.
[1]Structural Adjustment Facility.

Under the IMF's strengthened cooperative strategy on arrears, remedial measures have been applied to address protracted arrears. As of the end of the financial year, Somalia, Sudan, and Zimbabwe remained ineligible to use GRA resources. Zimbabwe continued to be excluded from the list of PRGF-eligible countries, and a declaration of noncooperation, suspension of technical assistance, and suspension of voting and related rights remain in place.

Management and organization

After learning in June 2007 of Rodrigo de Rato's intention of stepping down as Managing Director after the IMF–World Bank Annual Meetings, the Executive Board, which appoints the Managing Director of the Fund (see Box 5.3), put a new selection process in place. In accordance with this process, Dominique Strauss-Kahn was appointed in September 2007, and he assumed the position on November 1, 2007.[8]

Box 5.3 How the IMF is run

The highest decision-making body of the IMF is the Board of Governors. The Board of Governors consists of one Governor and one Alternate appointed by each member in such manner as it may determine. The Governor is usually the member's minister of finance or central bank governor. The

[8]See "IMF Executive Board Moves Ahead with Process of Selecting the Fund's Next Managing Director," PR 07/159, and "IMF Executive Board Selects Dominique Strauss-Kahn as IMF Managing Director," PR 07/211, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2007/pr07159.htm and www.imf.org/external/np/sec/pr/2007/pr07211.htm, respectively.

Board of Governors normally meets once a year. The Executive Board is responsible for conducting the business of the Fund, and for this purpose exercises all the powers delegated to it by the Board of Governors. The Executive Board is currently composed of 24 Executive Directors appointed or elected by member countries.[1] The Managing Director of the IMF is appointed by the Executive Board and serves as its Chair.

There are two committees of Governors that represent the whole membership. The *International Monetary and Financial Committee* (IMFC) is an advisory body currently composed of 24 IMF Governors (or their alternates), who are ministers or other officials of comparable rank, and who represent the same countries or constituencies (groups of countries) as the 24 Executive Directors. The IMFC advises, and reports to, the Board of Governors on matters relating to the latter's functions in supervising the management and adaptation of the international monetary and financial system and, in this connection, reviewing developments in global liquidity and the transfer of resources to developing countries; considering proposals by the Executive Board to amend the Articles of Agreement; and dealing with disturbances that might threaten the system. It has no decision-making powers. The IMFC normally meets twice a year, in March or April and in September or October, at the time of the Spring and Annual Meetings. The *Development Committee* (formally, the Joint Ministerial Committee of the Boards of Governors of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries) is a joint World Bank–IMF body composed of 24 World Bank or IMF governors or their alternates; it advises the IMF and World Bank Boards of Governors on critical development issues and on the financial resources required to promote economic development in developing countries. Like the IMFC, it also normally meets twice a year.

[1]The Executive Board's calendar for FY2008 and a description of its main activities can be found on the CD-ROM. General information on the governance of the IMF can also be found on the CD-ROM, in the *IMF Handbook.*

The financial year was marked by other major changes as well, as the Executive Board continued to look for ways to curb the Fund's administrative expenditures, approving a budget that would result in significant savings, and sought to enhance the Fund's cost-effectiveness through a variety of measures, including improved collaboration with other international and regional bodies (Box 5.4) and a restructuring of the staff.

Box 5.4 Liaison with intergovernmental, international, and regional organizations

The IMF has a long history of collaboration with numerous international and regional organizations. The IMF's collaboration with the World Bank is especially close. Areas in which the IMF and the World Bank collaborate include the Financial Sector Assessment Program, development of standards and codes, the Poverty Reduction Strategy Paper process, the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative, and debt sustainability analyses. In March 2006, the IMF's Managing Director and the World Bank's President created the External Review Committee on Bank-Fund Collaboration. The Committee solicited views from member countries on the nature and practice of Bank-Fund collaboration, which has been guided since 1989 by a formal Concordat. The Committee released its report in February 2007. Following up on this report, known as the Malan Report, the Fund and the Bank developed the Joint Bank-Fund Management Action Plan, which builds on the existing division of labor between the two institutions and identifies a series of specific measures designed to improve coordination on country issues; enhance communication between the staff of the two institutions on common issues through new electronic platforms; and improve incentives and central support for collaboration on policies, reviews, and other institutional issues (see Chapter 4).[1]

The IMF also collaborates with the regional multilateral banks—the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development—including in country mission work and the provision of technical assistance, and attends meetings of the heads of the multilateral development banks. The Inter-American Development Bank and the African Development Fund participate in the Multilateral Debt Relief Initiative.

The IMF is a member of the Financial Stability Forum, which brings together government officials responsible for financial stability in the major international financial centers, international regulatory and supervisory bodies, and committees of central bank experts. It also works with standard-setting bodies such as the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors. In 2000, Horst Köhler, then IMF Managing Director, established the Capital Markets Consultative Group to provide a forum for informal dialogue between participants in international capital markets and the IMF; the Group is chaired by the IMF's Managing Director.

Through its Special Representative to the United Nations, the IMF communicates and cooperates with the United Nations and a number of UN agencies. The Fund's offices in Europe liaise with the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), the Bank for International Settlements, the International Labor Organization, and the institutions of the European Union. Collaboration between the IMF and the WTO takes place formally as well as informally, as outlined in their Cooperation Agreement of 1996. IMF staff participate in the Integrated Framework for Trade-Related Technical Assistance and the Aid for Trade Task Force. IMF staff also liaise with the Asia-Pacific Economic Cooperation (APEC) and several regional groups in Asia, including the Association of South East Asian Nations (ASEAN).

The IMF is an active participant in the meetings and activities of the major intergovernmental groups, including the Group of Seven (G-7), Group of Eight (G-8), Group of Ten (G-10), Group of Twenty (G-

20), and Group of Twenty-Four (G-24). The G-10 countries participate in the IMF's General Arrangements to Borrow, an arrangement established in 1962 that can be invoked when supplementary resources are needed to forestall or cope with an impairment of the international monetary system.

[1] See "Enhancing Bank-Fund Collaboration: Joint Management Action Plan," PR 07/235, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2007/pr07235.htm. The Plan itself can be found on the IMF's Web site, at www.imf.org/external/np/pp/2007/eng/092007.pdf.

Administrative and capital budgets

On April 7, 2008, the Executive Board authorized total net administrative expenditures of $868.3 million for FY2009; a limit on gross administrative expenditures of $966.9 million; a one-time multiyear appropriation of $155 million to cover the costs of institutional restructuring;[9] and an appropriation of $48.3 million for capital projects in FY2009, as part of a $138 million capital plan for FY2009–11. The Executive Board also took note of the indicative net budget envelopes of $880 million and $895 million for FY2010 and FY2011, respectively, that constitute the medium-term administrative budget (MTB).

The strategic considerations underpinning the budget are set out in the Statement by the Managing Director on Strategic Directions in the Medium-Term Budget, which was submitted to the IMFC at the time of the Spring Meetings.[10] The central goal is to reshape the institution so that it delivers more focused outputs cost-effectively in line with its comparative advantage. The MTB will, among other things, contribute in an important way to bridging the medium-term income gap. It delivers an unprecedented 13½ percent real reduction in spending. Nonetheless, it allows for real increases in resources for such priority activities as multilateral and regional surveillance through reallocations from other areas.

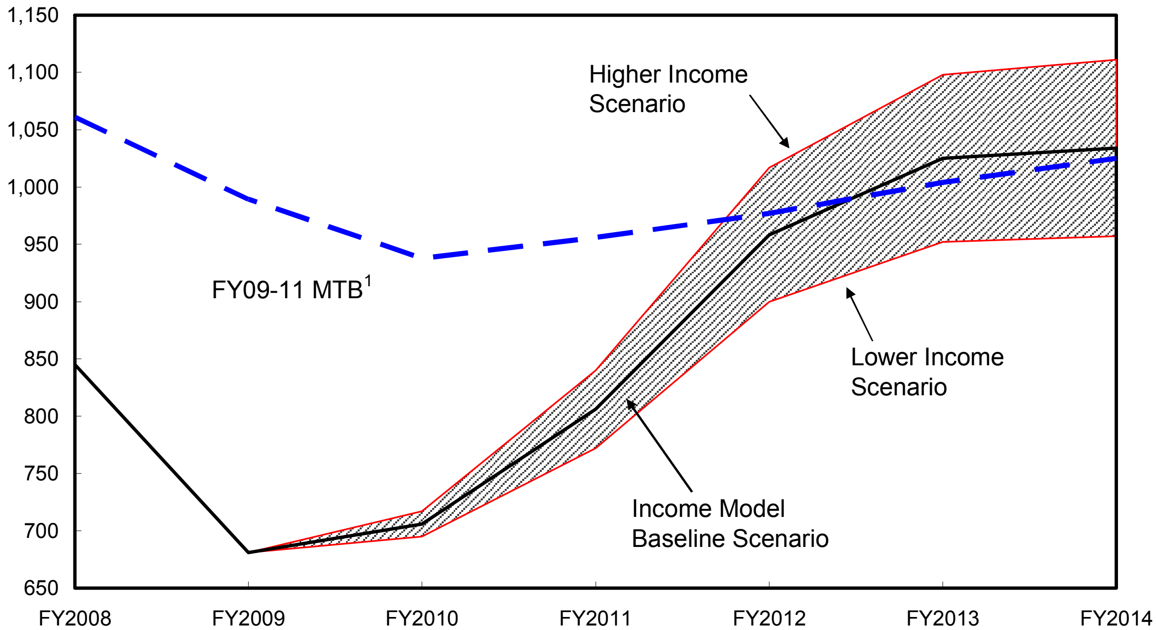
A central priority is to put in place a sustainable budgetary framework as a basis for eliminating the income-expenditure gap in FY2013. As Figure 5.1 illustrates, together with

[9] In addition, the Executive Board authorized the carry-forward and transfer of up to $30 million of unused resources from the FY2008 administrative budget to the restructuring budget.

[10] The Statement by the Managing Director on Strategic Directions in the Medium-Term Budget, April 9, 2008, can be found on the CD-ROM and on the IMF's Web site at www.imf.org/external/pp/longres.aspx?id=4243.

the new income model the MTB delivers a balance between income and expenditure in FY2013.

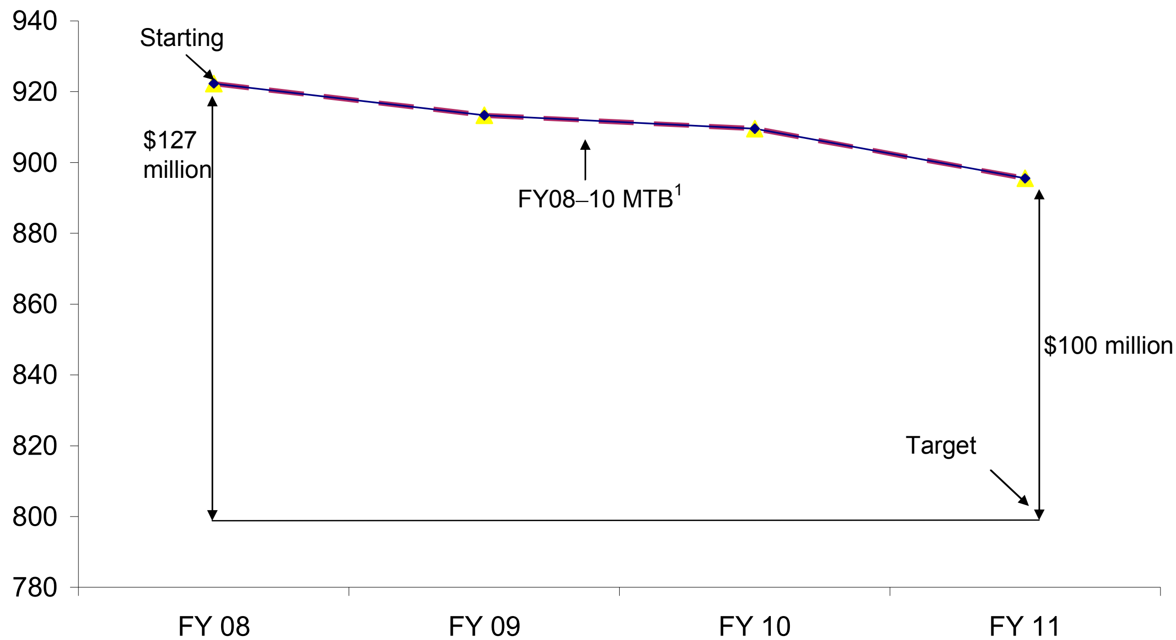
Figure 5.1 Income model and medium-term budget
(In millions of U.S. dollars)



[1]Includes restructuring expenses, capital budget items expensed, and depreciation.

About \$100 million of this gap is met through expenditure reductions and the rest through income measures. The FY2008–10 MTB envisaged a real reduction of \$27 million dollars, or a cumulative 3 percent reduction in real terms. The FY 2009–11 MTB goes much further, incorporating an additional real reduction of \$100 million, or over 10½ percent. Thus, measured from the FY2008 budget, total savings amount to \$127 million, or over 13½ percent (Figure 5.2).

Figure 5.2 The FY08–10 MTB rolled forward
(In millions of FY08 dollars)



[1]FY11 figure is calculated assuming the policy stance of a one percent real reduction is continued.

The institution, therefore, has to meet its refocusing needs in the context of a shrinking budgetary envelope. The refocusing has five components:

- Strengthening multilateral surveillance through deeper analyses of macro–financial linkages, exchange rates, and spillovers originating from systemically important countries.
- Sharpening bilateral surveillance by applying cross-country perspectives to policy issues facing individual countries.
- Refocusing work in low-income countries to emphasize macro-stability, growth, and integration with the global economy.
- Streamlining capacity building by focusing on macro-critical activities and making technical assistance more demand-driven and externally funded.

- Modernizing the Fund by updating business practices and seeking efficiency gains.

The budgetary strategy incorporates four key considerations: providing a framework to help refocus the institution; putting in place a budget framework that will help close the income-expenditure gap in FY2013; maximizing reductions in nonpersonnel expenditure to better exploit technology and enhance organizational efficiency; and reducing personnel-related expenditures fairly, while preserving business continuity.

For the three-year period FY2009–11, there are $33 million in nonpersonnel savings (FY2008 dollars). The remaining $67 million in savings are personnel-related (Table 5.2).

Table 5.2 Composition of savings
(In millions of FY08 dollars)

Personnel savings	**67**
Efficiency gains	27
Fewer programs, less review, fewer layers	16
Fewer resident representatives/overseas staff	7
Streamline systems and administrative processes	7
Refocus capacity building	5
Refocus low-income country work	2
Refocus surveillance	2
Eliminate policy overlaps	1
Nonpersonnel savings	**33**
Travel-related expenses	10
Less resident representative/overseas office costs	9
Increased leasing of headquarters-2 building	5
Funding investment office through the Staff Retirement Plan (SRP)	2
Annual Meetings' savings	2
IT services	2
Elimination of subsidies	2
More revenues	1
Total	**100**

The shift of administrative resources across outputs and activities supports the refocusing of the Fund. It moves resources from noncore activities to the core business of the institution, and it reallocates resources within core activities toward priority areas. The MTB provides not only a larger share but also greater absolute levels of expenditure for certain key areas. The real budgetary allocations to (1) multilateral surveillance, (2) surveillance of systemically important countries, and (3) regional surveillance increase

(Table 5.3), while resource allocations to Fund-financed technical assistance and to country programs and support decline. If the Fund succeeds in raising more external financing for TA, the output loss in this area can be mitigated.

Table 5.3 Real expenditure allocation, FY2008–11

	In millions of FY2008 U.S. dollars		Real percent change
	FY2008	FY2011	
Surveillance			
Multilateral	28	31	9
Bilateral	158	137	–13
Of which: Systemic countries	44	53	20
Regional	18	22	18
Country programs	122	103	–15
Fund-financed capacity building	106	86	–19
Support	313	272	–13

Notes: Allocations are measured by the gross dollar inputs spent on each output area. Support and governance expenditures have not been allocated across outputs. Columns do not sum to the Fund total because of omitted categories.

The reduction in staffing is the principal reason for the sizable decline in expenditures since personnel outlays account for nearly three-fourths of the budget. Staff numbers will decline by 380 by FY2011, and most of the reductions are planned for FY2009. As Table 5.4 shows, personnel expenditures fall by 7½ percent in real terms in FY2009, even though average compensation costs are expected to rise 4½ percent. In the outer years, personnel expenditures are budgeted to decline modestly in real terms. Other noteworthy expenditure changes include the following:

- A 6 percent real reduction in travel for FY2009 resulting from a policy decision to reduce travel volumes, the introduction of a new travel policy, and more favorable airline pricing.

- Building and other expenditures fall 6 percent in real terms by FY2011, despite a small nominal rise, because of some necessary IT replacements and building refurbishments.

- As the Fund moves toward more external financing of TA and increased leasing of its properties, receipts are expected to rise over the MTB period, although these estimates are subject to uncertainty.

Table 5.4 Administrative budget by major expenditure category, FY2008–11
(In millions of U.S. dollars, unless otherwise indicated)

	FY07	FY08		FY09	FY10	FY11	FY11 less FY08
	Outturn	Budget	Outturn	Budget	Budget	Budget	Budget
				(Nominal)			
Personnel	708	723	714	697	702	717	–6
Travel	93	100	94	98	99	99	–1
Building and other expenditures	160	161	158	163	165	170	10
Annual Meetings	5	0	0	0	5	0	. . .
Reserves	n.a.	10	n.a	9	13	18	8
Gross expenditures	966	994	967	967	985	1004	10
Receipts	–69	–71	–76	–99	–105	–109	–38
Net administrative budget	897	922	891	868	880	895	–27
				(In FY2008 dollars)			
Personnel	736	723	714	670	649	637	–86
Travel	97	100	94	94	91	88	–12
Building and other expenditures	166	161	158	157	153	151	–9
Annual Meetings	6	0	0	0	5	0	. . .
Reserves	n.a.	10	n.a	8	12	16	6
Gross expenditures	1,004	994	967	930	910	893	–101
Receipts	–71	–71	–76	–95	-97	-97	–26
Net administrative budget	933	922	891	835	813	796	–127

Source: Office of Budget and Planning.
Note: Figures may not add to totals because of rounding.

Looking at key output areas (Table 5.5), outputs that are expected to absorb greater shares of resources over the MTB are multilateral surveillance, regional surveillance, standards and codes and financial sector assessments, and technical assistance; smaller shares are expected for oversight of the international monetary system, generally available facilities, and facilities specific to low-income countries.

Table 5.5 Estimated gross administrative budgeted expenditure shares, by key output area and constituent output, FY2008–11
(In percent share of total gross expenditures, excluding reserves)

	FY08	FY09	FY10	FY11
Global monitoring	17.4	17.7	17.9	18.2
Oversight of the international monetary system	5.2	4.6	4.7	4.7
Multilateral surveillance	4.5	5.1	5.3	5.5
Cross-country statistical information and methodologies	3.0	3.2	3.2	3.2
General research	0.4	0.3	0.3	0.3
General outreach	4.3	4.5	4.5	4.5
Country-specific and regional monitoring	35.2	36.6	36.5	36.7
Bilateral surveillance	28.3	28.3	28.2	28.4
Regional surveillance	3.1	3.6	3.7	3.8
Standards and codes and financial sector assessments	3.8	4.6	4.6	4.5
Country programs and financial support	23.2	21.1	20.9	20.4
Generally available facilities	10.0	8.1	8.0	7.8
Facilities specific to low-income countries	13.2	13.1	12.9	12.6
Capacity building	24.2	24.6	24.7	24.7
Technical assistance	17.0	17.5	17.7	17.8
External training	7.2	7.1	6.9	6.9
Total, excluding reserves	100.0	100.0	100.0	100.0
Memorandum items				
Support	31.8	30.5	30.7	31.0
Governance	9.3	9.3	9.4	9.1

Source: Office of Budget and Planning.
Notes: Support and governance expenditures are allocated across outputs. Figures may not add to totals because of rounding.

The Executive Board approved an appropriation of $48.3 million for capital projects beginning in FY2009 and took note of the capital budget envelope of $138 million for the following two years. The appropriation for FY2009 provides for expenditures over the next three years: over one-third is for building facility projects, and the remainder for information technology projects. In real terms, the capital budget reflects a significant downward adjustment. Over the last decade, real capital expenditures have varied because of, among other things, security enhancements for building facilities and IT expenditures, which are now complete. About one-half of the budget for FY2009 is for projects that preserve the integrity of the Fund’s asset base, while most of the remainder includes new and revised projects that will help facilitate the institutional restructuring and refocusing.

Human resources policies

As part of the reforms undertaken by the IMF in order to refocus its activities, modernize operations, and improve cost-effectiveness and efficiency, a framework to restructure the staff was put in place in early 2008. The restructuring exercise had two main objectives: a reduction of approximately 380 positions, and a change in the staffing structure, with more reductions at the managerial and administrative support levels. Fund management was committed to meeting these objectives through a transparent and fair process centering on voluntary separations to the extent possible, recognizing that some mandatory separations would be needed in specific areas. With these objectives in mind, the restructuring framework comprised a voluntary phase and a subsequent mandatory phase, a range of financial and other incentives to encourage voluntary separations, and an independent panel of former senior IMF officials to make recommendations to management on individual separation decisions.

The voluntary phase of the restructuring was successful in meeting both objectives.[11] In implementing the restructuring exercise, measures were put in place to retain (to the extent possible) high-performing staff, and to ensure no undue impact on staff diversity. Outplacement assistance was provided to staff contemplating separation from the IMF, and significant efforts were made to identify employment opportunities in government agencies in member countries, other international financial institutions, and private sector organizations.

The IMF's staff is appointed by the Managing Director, and its sole responsibility is to the IMF. At April 30, 2008, the IMF had 1,950 professional and managerial staff and 636 staff at other levels. The framework for human resource management in the Fund reflects evolving best practices that are consistent with the mission of the institution and the objective of maintaining the quality and diversity of its staff. The Articles of Agreement state that the efficiency and technical competence of Fund staff are expected to be of the "highest standards." In addition, all staff members are expected to observe the highest

[11]See "IMF Completes Voluntary Separations Phase of Organizational Restructuring," PR 08/94, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0894.htm.

standards of ethical conduct, consistent with the values of integrity, impartiality, and discretion, as set out in the IMF Code of Conduct and its Rules and Regulations.

Recognizing that the membership must have at its service individuals who understand, through their professional experience and training, a wide range of policymaking challenges that confront country officials and who can offer policy advice appropriate to the circumstances of each of the 185 member countries, and in accordance with the requirement under the Articles of Agreement to pay due regard to the importance of recruiting personnel on a wide geographic basis, the Fund makes every effort to ensure that staff diversity reflects the institution's membership, actively seeking candidates from all over the world. It has established a Diversity Council to further its diversity agenda, building on the creation in 1995 of the position of Diversity Advisor. Progress is monitored and problems are reported in a transparent manner in various formats—including the *Diversity Annual Report*—on the IMF Web site.

Of the IMF's 185 member countries, 145 were represented on the staff at the end of April 2008. The IMF's organization chart and the list of the IMF's senior officers are on pages [00] and [00], respectively, of this Report. The organization of the IMF and the functions of its different departments are described in the *IMF Handbook,* which can be found on the CD-ROM. Also on the CD-ROM are tables showing the distribution of the IMF's staff by nationality, gender, and developing and industrial countries, and the staff salary structure. As of July 1, 2007, the salary structure for management was as follows:

Managing Director	$420,930[12]
First Deputy Managing Director	$366,030
Deputy Managing Directors	$358,600

The remuneration of Executive Directors was $219,800; the remuneration of Alternate Executive Directors was $190,140.

[12]A supplemental allowance of $75,350 is paid to cover expenses. See also "Terms of Appointment of Dominique Strauss-Kahn as Managing Director of the IMF," PR 07/245, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2007/pr07245.htm.

COMMUNICATION AND TRANSPARENCY

Through its communication strategy and transparency policy, the IMF seeks to increase its accountability to stakeholders and build understanding of sound economic policies. With the guidance and support of the Executive Board, which regularly reviews the IMF's communication strategy and transparency policy, the IMF's efforts in these areas have increased significantly since the mid-1990s.

Communication

Communication strategy

In June 2007, the Executive Board discussed the IMF's communication strategy, its fifth discussion on this subject since 1998.[13] It noted the progress made since its last review, in 2005, in integrating communication activities with IMF operations and in increasing the IMF's openness and publication of information. Executive Directors broadly endorsed the overall direction of the communication strategy, which aims at building understanding and support for the role of the IMF and its reform agenda; further integrating communications with operations; and increasing the impact of the Fund's electronic and print products and its outreach activities. They agreed that communication was an important tool in promoting international economic and financial stability and helping countries address economic shocks and the challenges of globalization. They also underscored the importance of two-way communication between the Fund and its members and other stakeholders, so that the staff and the institution can benefit from, and respond appropriately to, external feedback.

With respect to the implementation of the strategy, the Board welcomed plans to harness new technologies and modern communication practices—such as more emphasis on Web-based technologies and better alignment of publications with institutional priorities—and to enhance the effectiveness of communication in languages other than English in a cost-effective manner. It also commended efforts to strengthen internal communication, which plays a valuable role in channeling external views, fostering dialogue, and facilitating understanding of the key issues faced by the Fund. Efforts to better disseminate such

[13]See "IMF Executive Board Discusses the IMF's Communication Strategy," PIN 07/74, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0774.htm.

products as the *World Economic Outlook* and the *Regional Economic Outlooks,* in which the Fund presents its analysis of economic and financial developments, were acknowledged by the Board, and many Directors noted the valuable role played by press releases, press conferences, and other channels in supporting country surveillance activities.

Initiatives during FY2008

In line with the strategy endorsed by the Executive Board, and the refocusing agenda, the IMF continued to enhance its communication and outreach during the financial year. Strengthening Web-based communication and expanding communication in languages other than English continued to be priorities. The Fund's recently revamped Web site was made more user-friendly and the search engine was upgraded. The site featured new items, such as landing pages on key policy issues, and Web sites for civil society organizations[14] and legislators.[15] Blogs were launched during the year by the Fund's Chief Economist and by its Fiscal Affairs Department, with the latter focusing on public financial management. Web sites in languages other than English that are heavily used in the Fund's work were revamped or added, and material (such as summaries of, and press releases about, the *World Economic Outlook* and the *Global Financial Stability Report*) for which demand is high were translated and posted on these sites. The Fund's *2007 Annual Report* was translated into Arabic, Chinese, French, German, Japanese, Russian, and Spanish, three more languages (Arabic, Japanese, and Russian) than in the past.

The Fund also sharpened the focus of its outreach, undertaking a number of outreach activities in FY2008 with parliamentarians and civil society organizations (CSOs). For example, in sub-Saharan Africa, it organized seminars for the Tanzanian Parliament's Finance and Economic Affairs Committee and CSOs in Dar es Salaam; for CSOs in Malawi;[16] and for parliamentarians, nongovernmental organizations, and trade unions in Liberia. Engagement with the media has deepened, as operational staff have increased their contacts, and multimedia technologies permit the IMF to reach a broader media audience. For example, a biweekly media briefing initially intended for media based in Washington,

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[14]See www.imf.org/civilsociety.
[15]See www.imf.org/external/np/legislators/index.htm.
[16]See www.imf.org/external/np/exr/cs/news/2008/022008.htm.

D.C., has since developed into a webcast for journalists around the world. The Online Media Briefing Center, a password-protected multimedia site, allows journalists to access documents under embargo, participate in press briefings, and receive information and data tailored to their needs.[17]

Transparency policy

The IMF's transparency has increased dramatically in the past decade.[18] The current policy stems from an Executive Board decision in January 2001 to encourage the voluntary publication of country documents and more systematic publication of policy papers and associated Public Information Notices (PINs) that provide a summary of the Executive Board's assessment. The decision followed steps that had been taken since 1994 to enhance the transparency of the IMF and to increase the availability of information about its members' policies, while including safeguards to maintain the frankness of the IMF's policy discussions with members by striking the right balance between transparency and confidentiality. Members may request deletion of information not yet in the public domain that constitutes either highly market-sensitive material or premature disclosure of policy intentions.

Following their discussion in FY2006 of an IMF staff review of the transparency policy, Executive Directors called on the staff to produce annual updates on the policy's implementation for posting on the IMF's Web site. The third annual report on the implementation of the transparency policy, published in February 2008, presents information on documents considered by the Board between November 1, 2006, and October 31, 2007, and published by December 31, 2007, including publication rates for each type of document, lags between Executive Board discussions of documents and publication,

[17]See CD-Box 5.1, "Disseminating information: the IMF's publishing operations and Web site," on the CD-ROM.

[18]The increased transparency of the IMF is widely recognized. In its *2006 Global Accountability Report,* One World Trust ranked the IMF third out of 10 intergovernmental organizations and fourth out of 30 intergovernmental and private transnational companies in terms of transparency. The report can be read at www.oneworldtrust.org/?display=index_2006.

deletion of material from documents, and the publication behavior of member countries.[19] Publication rates for country staff reports remained high, at 83 percent.

ACCOUNTABILITY

The Independent Evaluation Office

The Independent Evaluation Office (IEO) was established in 2001 to conduct independent and objective evaluations of IMF policies and activities with a view to increasing the IMF's transparency and accountability and strengthening its learning culture. Under its terms of reference, the IEO is fully independent of IMF management and operates at arm's length from the IMF's Executive Board, to which it reports its findings.

After an external evaluation of the IEO in FY2006, the Executive Board established a framework in January 2007 to ensure more systematic follow-up and monitoring of the implementation of Board-endorsed recommendations in IEO reports. The framework calls for a forward-looking implementation plan to be presented to the Board soon after its discussion of an IEO evaluation, and for the state of implementation of actions set out in the plan to be monitored periodically. In FY2008, the Board discussed the first two implementation plans, which were developed for two IEO evaluations completed in FY2007: "The IMF and Aid to Sub-Saharan Africa," which was also discussed by the Board in FY2007, and "The IMF's Advice on Exchange Rate Policy," which was discussed early in FY2008 (see Chapter 3). Since not enough time had elapsed since these two implementation plans had been developed, the first periodic monitoring report, which was discussed by the Board in January 2008, covered earlier IEO recommendations that had been endorsed by the Board before the establishment of implementation plans. Executive Directors agreed that IEO recommendations have had a substantial impact on how the Fund operates, and that lessons have generally been absorbed and recommendations substantially implemented. They considered that, in the future, monitoring would benefit from greater specificity and clarity about the follow-up actions required and that periodic monitoring

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[19] See "IMF Releases Third Annual Report on the Implementation of the Transparency Policy," PR 08/18, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pr/2008/pr0818.htm. The report, "Key Trends in the Implementation of the Transparency Policy," can be found on the IMF's Web site, at www.imf.org/external/np/pp/eng/2008/013108.pdf.

reports should not be produced until sufficient time—say, six months—had elapsed following Board discussion of management's implementation plan. The Board reiterated that it was the responsibility of management and staff to prepare future monitoring reports, with periodic Board review, and reaffirmed that policy development, review, and implementation, including of Board-endorsed IEO recommendations, remained the responsibility of the Executive Board and management.[20]

During FY2008, the IEO also completed an evaluation of structural conditionality in IMF-supported programs, which the Executive Board discussed in December 2007 (see Chapter 4), and one of IMF corporate governance, including the role of the Executive Board,[21] and a draft issues paper on the IMF's approach to trade policy issues was posted on the IEO's Web site for public comment. In FY2009, the IEO will continue to work on an evaluation of the IMF's interactions with member countries and begin an evaluation of the IMF's research agenda. More information on the activities and reports of the IEO can be found on its Web site.[22]

Risk management

Since 2006, the IMF has had in place a comprehensive risk-management framework, which is overseen by the Executive Board. The Advisory Committee on Risk Management (ACRM)—which is chaired by one of the Fund's Deputy Managing Directors and composed of six senior IMF staff members—supports the risk-management framework, meets regularly to discuss risk-management issues, and briefs management and the Executive Board on its work. The centerpiece of the ACRM's work is the Annual Risk Management Report, which synthesizes the results of a comprehensive risk-assessment exercise covering

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[20]See "Implementation Plan Following IEO Evaluation of the IMF and Aid to Sub-Saharan Africa," PIN 07/93; "IMF Discusses Implementation Plan Following IEO Evaluation of the IMF's Exchange Rate Policy Advice, 1999–2005," PIN 07/119; and "First Periodic Monitoring Report on the Status of Board-Endorsed Recommendations of the Independent Evaluation Office," PIN 08/25, on the CD-ROM or on the IMF's Web site, at www.imf.org/external/np/sec/pn/2007/pn0793.htm, www.imf.org/external/np/sec/pn/2007/pn07119.htm, and www.imf.org/external/np/sec/pn/2008/pn0825.htm, respectively. The periodic monitoring report itself, which was produced in December 2007, is available on the IMF's Web site, at www.imf.org/external/np/pp/2007/eng/120307.pdf.

[21]The Board discussed the evaluation of corporate governance as well as the implementation plan for the Board-endorsed recommendations in the evaluation of structural conditionality in early FY2009.

[22] See www.ieo-imf.org.

strategic, core mission, financial, and operational risks.[23] During FY2008 further steps were taken to strengthen the modalities of the risk-assessment framework used.[24] The ACRM also played an important role in monitoring risks associated with the IMF's refocusing efforts.

IMF audit mechanisms

The IMF's audit mechanisms consist of an external audit firm, an internal audit function, and an independent External Audit Committee (EAC) that oversees the work of both.

The external audit firm, which is selected by the Executive Board in consultation with the EAC and appointed by the Managing Director, is responsible for performing the annual external audit and expressing an opinion on the financial statements of the IMF, accounts administered under Article V, Section 2*(b),* and the Staff Retirement Plan. At the conclusion of the annual audit, the EAC transmits the report issued by the external audit firm, through the Managing Director and the Executive Board, for consideration by the Board of Governors and briefs the Executive Board on the results of the audit. The external audit firm is normally appointed for five years. Deloitte & Touche LLP is the IMF's external audit firm.

The internal audit function is assigned to the Office of Internal Audit and Inspection (OIA), which independently examines the effectiveness of the risk-management, control, and governance processes of the IMF. OIA also serves as the secretariat for the ACRM. OIA conducts about 25 audits and reviews annually, which include financial audits, information technology audits, and operational and effectiveness audits. Financial audits examine the adequacy of controls and procedures to safeguard and administer the assets and financial accounts of the IMF. Information technology audits evaluate the adequacy of information technology management and the effectiveness of information security measures. Operational and effectiveness audits focus on processes and associated controls and the efficiency and effectiveness of operations and their alignment with the overall goals of the IMF. In line

[23]The IMF's safeguards assessments policy mitigates the risk that loans made to member countries will be misused (see CD-Box 5.2 on the CD-ROM).

[24]In June 2008, the Fund also launched an "integrity hotline"—a mechanism for enabling individuals inside and outside the Fund to raise concerns on a confidential basis about possible staff misconduct. The hotline is operated by an independent third party.

with best practices, the OIA reports to IMF management and to the External Audit Committee, thus assuring its independence. In addition, OIA briefs the Executive Board annually on its work program and the major findings and recommendations of its audits and reviews. The quality of OIA's activities was assessed in early 2008 by an independent evaluation team of the Institute of Internal Auditors, which confirmed adherence to all applicable international standards.

The EAC is composed of three members selected by the Executive Board and appointed by the Managing Director, and oversees the IMF's accounting, financial reporting, internal control, and risk-management functions. The members serve for three-year terms on a staggered basis and are independent of the IMF. EAC members are nationals of different IMF member countries and must possess the expertise and qualifications required to carry out the oversight of the annual audit. Typically, candidates for the EAC have significant experience in international public accounting firms, the public sector, or academia.

The EAC selects one of its members as chair, determines its own procedures, and is independent of the IMF's management in overseeing the annual audit. However, any changes to the EAC's terms of reference are subject to Executive Board approval. The EAC typically meets in person in January, in June after the completion of the audit, and in July to report to the Executive Board. IMF staff and the external auditors consult with EAC members throughout the year. The 2008 EAC members are Mr. Satoshi Itoh, former Professor, Chuo University, Japan; Mr. Steve Anderson, Head of Risk Assessment and Assurance, Reserve Bank of New Zealand; and Mr. Thomas O'Neill, corporate director and former Chairman, PricewaterhouseCoopers Consulting.

Executive Directors and Alternates
on April 30, 2008[1]

Appointed

Meg Lundsager *Daniel Heath*	United States
Daisuke Kotegawa *Hiromi Yamaoka*	Japan
Klaus D. Stein *Stephan von Stenglin*	Germany
Ambroise Fayolle *Benoît Claveranne*	France
Alex Gibbs *Jens Larsen*	United Kingdom

Elected

Willy Kiekens (Belgium) *Johann Prader* *(Austria)*	Austria Belarus Belgium Czech Republic Hungary Kazakhstan Luxembourg Slovak Republic Slovenia Turkey
Age F.P. Bakker (Netherlands) *Yuriy G. Yakusha* *(Ukraine)*	Bosnia and Herzegovina Bulgaria Croatia Cyprus Georgia Israel Macedonia, former Yugoslav Republic of Moldova Netherlands Romania Ukraine

[1]The voting power of each chair can be found in Appendix IV on the CD-ROM; changes in the Executive Board during FY2008 are listed in Appendix V on the CD-ROM.

Elected *(continued)*

José A. Rojas (Venezuela) *Ramón Guzmán* *(Spain)*	Costa Rica El Salvador Guatemala Honduras Mexico Nicaragua Spain República Bolivariana de Venezuela
Arrigo Sadun (Italy) *Miranda Xafa* *(Greece)*	Albania Greece Italy Malta Portugal San Marino Timor-Leste
Richard Murray (Australia) *Wilhemina C. Mañalac* *(Philippines)*	Australia Kiribati Korea Marshall Islands Micronesia, Federated States of Mongolia New Zealand Palau Papua New Guinea Philippines Samoa Seychelles Solomon Islands Vanuatu
GE Huayong (China) *HE Jianxiong* *(China)*	China
Jonathan Fried (Canada) *Peter Charleton* *(Ireland)*	Antigua and Barbuda Bahamas, The Barbados Belize Canada Dominica Grenada Ireland Jamaica St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines

Elected *(continued)*

Jens Henriksson (Sweden) *Jarle Bergo (Norway)*	Denmark Estonia Finland Iceland Latvia Lithuania Norway Sweden
A. Shakour Shaalan (Egypt) *Samir El-Khouri (Lebanon)*	Bahrain Egypt Iraq Jordan Kuwait Lebanon Libya Maldives Oman Qatar Syrian Arab Republic United Arab Emirates Yemen, Republic of
Abdallah S. Alazzaz (Saudi Arabia) *Ahmed Al Nassar (Saudi Arabia)*	Saudi Arabia
Perry Warjiyo (Indonesia) *Chantavam Sucharitakul (Thailand)*	Brunei Darussalam Cambodia Fiji Indonesia Lao People's Democratic Republic Malaysia Myanmar Nepal Singapore Thailand Tonga Vietnam
Peter Gakunu (Kenya) *Samuel Itam (Sierra Leone)*	Angola Botswana Burundi Eritrea Ethiopia Gambia, The Kenya Lesotho Malawi Mozambique

***Elected** (continued)*

	Namibia Nigeria Sierra Leone South Africa Sudan Swaziland Tanzania Uganda Zambia
Thomas Moser (Switzerland) *Andrzej Raczko* *(Poland)*	Azerbaijan Kyrgyz Republic Poland Serbia Switzerland Tajikistan Turkmenistan Uzbekistan
Aleksei V. Mozhin (Russian Federation) *Andrei Lushin* *(Russian Federation)*	Russian Federation
Mohammad Jafar Mojarrad (Islamic Republic of Iran) *Mohammed Daïri* *(Morocco)*	Afghanistan, Islamic Republic of Algeria Ghana Iran, Islamic Republic of Morocco Pakistan Tunisia
Paulo Nogueira Batista, Jr. (Brazil) *María Ines Agudelo* *(Colombia)*	Brazil Colombia Dominican Republic Ecuador Guyana Haiti Panama Suriname Trinidad and Tobago
Adarsh Kishore (India) *K.G.D.D. Dheerasinghe* *(Sri Lanka)*	Bangladesh Bhutan India Sri Lanka

Elected *(continued)*

Javier Silva-Ruete (Peru) *Héctor R. Torres* *(Argentina)*	Argentina Bolivia Chile Paraguay Peru Uruguay
Laurean W. Rutayisire (Rwanda) *Kossi Assimaidou* *(Togo)*	Benin Burkina Faso Cameroon Cape Verde Central African Republic Chad Comoros Congo, Democratic Republic of the Congo, Republic of Côte d'Ivoire Djibouti Equatorial Guinea Gabon Guinea Guinea-Bissau Madagascar Mali Mauritania Mauritius Niger Rwanda São Tomé and Príncipe Senegal Togo

Senior officers
on April 30, 2008

Jaime Caruana, Counsellor

Simon Johnson, Economic Counsellor

Area departments

Benedicte Vibe Christensen
Acting Director, African Department

David Burton
Director, Asia and Pacific Department

Michael C. Deppler
Director, European Department

Mohsin S. Khan
Director, Middle East and Central Asia Department

Anoop Singh
Director, Western Hemisphere Department

Functional and special services departments

Michael G. Kuhn
Director, Finance Department

Teresa M. Ter-Minassian
Director, Fiscal Affairs Department

Leslie J. Lipschitz
Director, IMF Institute

Sean Hagan
General Counsel and Director, Legal Department

Jaime Caruana
Director, Monetary and Capital Markets Department

Mark Allen
Director, Policy Development and Review Department

Simon Johnson
Director, Research Department

Robert Edwards
Director, Statistics Department

Information and liaison

Masood Ahmed
Director, External Relations Department

Akira Ariyoshi
Director, Regional Office for Asia and the Pacific

Saleh M. Nsouli
Director, Offices in Europe

Barry H. Potter
Director and Special Representative to the UN Office at the United Nations

Support services

Serrano,Diana
Director, Human Resources Department

Shailendra J. Anjaria
Secretary, Secretary's Department

Frank Harnischfeger
Director, Technology and General Services Department

Jonathan Palmer
Chief Information Officer, Technology and General Services Department

Offices

Siddharth Tiwari
Director, Office of Budget and Planning

Bert Keuppens
Director, Office of Internal Audit and Inspection

Alfred Kammer
Director, Office of Technical Assistance Management

Thomas Bernes
Director, Independent Evaluation Office

ANNUAL REPORT 2008

CD-ROM Contents

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

Chapter 1. Overview: Refocusing the IMF

- Reports of the Managing Director to the IMFC on the IMF's Policy Agenda
    - April 9, 2008: www.imf.org/external/pp/longres.aspx?id=4241
    - October 19, 2007: www.imf.org/external/np/pp/2007/eng/101907.pdf
- Board calendar: www.imf.org/external/np/sec/bc/eng/index.asp
- IMF Work Program Focuses on Key Aspects of Reform Agenda, PR 07/122: www.imf.org/external/np/sec/pr/2007/pr07122.htm
- IMF Interim Work Program Builds on Reform Progress, Focuses on Global Financial Stability, PR 07/295: www.imf.org/external/np/sec/pr/2007/pr07295.htm
- MD Statement on the Interim Work Program of the Executive Board: www.imf.org/external/np/pp/2007/eng/121407.pdf
- MD Statement on the Work Program of the Executive Board, www.imf.org/external/np/pp/2007/eng/053007.pdf
- CD-Box 1.1: Progress toward key strategic objectives (attached)

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

Bilateral surveillance

- IMF Executive Board Adopts New Decision on Bilateral Surveillance Over Members' Policies, PIN 07/69: www.imf.org/external/np/sec/pn/2007/pn0769.htm
- Bilateral Surveillance Over Members' Policies—Executive Board Decision, June 15, 2007: 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: www.imf.org/external/np/sec/pn/2008/pn0828.htm

- CD-Table 3.1: Article IV consultations completed during FY2008 (attached)

Multilateral surveillance

- WEO, summings up of Board discussions, September 2007 and March 2008: www.imf.org/external/pubs/ft/weo/2007/02/pdf/annex.pdf; www.imf.org/external/pubs/ft/weo/2008/01/pdf/annex.pdf
- GFSR, summings up of Board discussions, September 2007 and March 2008: www.imf.org/external/pubs/ft/gfsr/2007/02/pdf/annex.pdf; www.imf.org/external/pubs/ft/gfsr/2008/01/pdf/annex.pdf

Multilateral consultation

- IMF Executive Board Discusses Multilateral Consultation on Global Imbalances, PIN 07/97: www.imf.org/external/np/sec/pn/2007/pn0797.htm
- 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: www.imf.org/external/np/pp/2007/eng/062907.pdf

Regional surveillance and outreach

- IMF Executive Board Concludes 2007 Discussion on Common Policies of Member Countries with CEMAC, PIN 07/81: www.imf.org/external/np/sec/pn/2007/pn0781.htm
- IMF Executive Board Concludes 2007 Discussion on Common Policies of Member Countries of the Eastern Caribbean Currency Union, PIN 08/12: www.imf.org/external/np/sec/pn/2008/pn0812.htm
- IMF Executive Board Discusses Euro Area Policies, PIN 07/89: www.imf.org/external/np/sec/pn/2007/pn0789.htm
- Transcripts of press briefings by APD on REOs, October 2007 and April 2008: www.imf.org/external/np/tr/2007/tr071019.htm and www.imf.org/external/np/tr/2008/tr080411a.htm, respectively
- 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: www.imf.org/external/np/sec/pr/2007/pr07252.htm
- IMF Regional Economic Outlook for Europe Sees Slower Growth; Explores Challenges Policymakers Face in Seeking to Limit the Impact of Financial Turbulence, PR No. 08/89: www.imf.org/external/np/sec/pr/2008/pr0889.htm
- IMF Sees Continued Strong Growth, but also Heightened Policy Challenges for Latin America and the Caribbean in 2008, PR 07/249: www.imf.org/external/np/sec/pr/2007/pr07249.htm

- IMF Sees Latin America and the Caribbean Region Resilient So Far, But Risks Ahead, PR 08/83: www.imf.org/external/np/sec/pr/2008/pr0883.htm
- 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: www.imf.org/external/np/sec/pr/2007/pr07241.htm
- IMF Regional Economic Outlook for the Middle East and Central Asia Sees Sustained Growth, Highlights the Need to Contain Inflationary Pressures**,** PR 08/104: www.imf.org/external/np/sec/pr/2008/pr08104.htm
- Sub-Saharan Africa: Regional Economic Outlook, PR 07/237: www.imf.org/external/np/sec/pr/2007/pr07237.htm
- Sub-Saharan Africa Spring 2008 Regional Economic Outlook: Growth Expected to Remain Robust but Global Developments Cloud Prospects, PR 08/86, www.imf.org/external/np/sec/pr/2008/pr0886.htm.
- IMF Executive Board Discusses Selected Regional Issues in the Caribbean, PIN 07/124: www.imf.org/external/np/sec/pn/2007/pn07124.htm

Financial sector surveillance

- IMF Executive Board Discusses a Work Agenda on Sovereign Wealth Funds, PIN 08/41: www.imf.org/external/np/sec/pn/2008/pn0841.htm
- Sovereign Wealth Funds—A Work Agenda: www.imf.org/external/np/pp/eng/2008/022908.pdf
- IMF Executive Board Concludes Financial Soundness Indicators—Experience with Coordinated Compilation Exercise and Next Steps, PIN 07/135: www.imf.org/external/np/sec/pn/2007/pn07135.htm
- The Recent Financial Turmoil—Initial Assessment, Policy Lessons, and Implications for Fund Surveillance: www.imf.org/external/np/pp/eng/2008/040908.pdf
- Transcript of joint IMF-Brookings Institution seminar, "Global Downturn? The World Economy in 2008": www.imf.org/external/np/tr/2008/tr080131.htm

Framework of data provision for surveillance and other data initiatives

- IMF Launches Revised Fiscal Transparency Code and Manual, PR 07/95: www.imf.org/external/np/sec/pr/2007/pr0795.htm
- IMF and World Bank Expand Databases on External Debt Statistics, PR 08/37: www.imf.org/external/np/sec/pr/2008/pr0837.htm
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Chapter 4. Program support and capacity building

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- IMF Executive Board Discusses the Fund's Role in the Poverty Reduction Strategy Process and Its Collaboration with Donors, PIN 07/130: www.imf.org/external/np/sec/pn/2007/pn07130.htm
- 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: www.imf.org/external/np/sec/pn/2007/pn07122.htm
- IMF Executive Board Modifies HIPC Initiative, PIN 08/03: www.imf.org/external/np/sec/pn/2008/pn0803.htm
- IMF Executive Board Discusses Operational Implications of Aid Inflows for IMF Policy Advice and Program Design in Low-Income Countries, PIN 07/83: www.imf.org/external/np/sec/pn/2007/pn0783.htm
- Food and Fuel Price Increases in Sub-Saharan Africa: Background Note for WAEMU Meeting on April 23, 2008, in Abidjan (attached)
- Progress Toward Nutrition, Health, Education, and Other Development Goals Off Track, Global Monitoring Report Finds, PR 08/75: www.imf.org/external/np/sec/pr/2008/pr0875.htm
- IMF Executive Board Discusses Aid for Trade, PIN 08/14: www.imf.org/external/np/sec/pn/2008/pn0814.htm
- IMF Executive Board Fully Restores Liberia's IMF Status, Approves Financial Support Amounting to US$952 Million and HIPC Decision Point Designation, PR 08/52: www.imf.org/external/np/sec/pr/2008/pr0852.htm
- CD-Table 4.1: Subsidy contributions for Emergency Assistance (attached)
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- IMF Executive Board Concludes Review of Access Policy in the Credit Tranches and Under the Extended Fund Facility and the Poverty Reduction and Growth Facility, and Exceptional Access Policy, PIN 08/30: www.imf.org/external/np/sec/pn/2008/pn0830.htm
- IMF Executive Board Discusses the Fund's Engagement in Fragile States and Post-Conflict Countries—A Review of Experience, PIN 08/43: www.imf.org/external/np/sec/pn/2008/pn0843.htm

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- IMF Executive Board Discusses Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward, PIN 07/60: www.imf.org/external/np/sec/pn/2007/pn0760.htm
- CD-Table 4.5: IMF Institute training programs, FY2006–08 (attached)
- CD-Table 4.6: IMF Institute regional training programs (attached)

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- IMF Executive Board Recommends Reforms to Overhaul Quota and Voice, PR 08/64: www.imf.org/external/np/sec/pr/2008/pr0864.htm
- Report of the Managing Director to the IMFC on IMF Quota and Voice Reform, www.imf.org/external/pp/longres.aspx?id=4242
- IMF Board of Governors Adopts Quota and Voice Reforms by Large Margin, PR 08/93: www.imf.org/external/np/sec/pr/2008/pr0893.htm
- Resolution 63-2 (attached)

Adequacy of Fund resources

- IMF Executive Board Recommends to Governors Conclusion of Thirteenth General Quota Review, PR 08/02: www.imf.org/external/np/sec/pr/2008/pr0802.htm
- IMF Board of Governors Approves Conclusion of Quota Review, PR 08/13: www.imf.org/external/np/sec/pr/2008/pr0813.htm

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: www.imf.org/external/np/sec/pr/2008/pr0874.htm
- Report of the Managing Director to the International Monetary and Financial Committee on a New Income and Expenditure Framework for the IMF: www.imf.org/external/pp/longres.aspx?id=4245
- IMF Board of Governors Approves Key Element of IMF's New Income Model, PR 08/101: www.imf.org/external/np/sec/pr/2008/pr08101.htm
- IMF Executive Board Approves Renewal of Standing Borrowing Arrangements, PR No. 07/270: www.imf.org/external/np/sec/pr/2007/pr07270.htm

Management and organization

- IMF Executive Board Moves Ahead with Process of Selecting the Fund's Next Managing Director, PR 07/159: www.imf.org/external/np/sec/pr/2007/pr07159.htm

- IMF Executive Board Selects Dominique Strauss-Kahn as IMF Managing Director, PR 07/211: www.imf.org/external/np/sec/pr/2007/pr07211.htm
- MD Statement on Strategic Directions in the Medium-Term Budget: www.imf.org/external/pp/longres.aspx?id=4243
- Terms of Appointment of Dominique Strauss-Kahn as Managing Director of the IMF, PR 07/245, available via the Internet: www.imf.org/external/np/sec/pr/2007/pr07245.htm
- Enhancing Bank-Fund Collaboration—Joint Management Action Plan, PR 07/235: www.imf.org/external/np/sec/pr/2007/pr07235.htm
- IMF Completes Voluntary Separations Phase of Organizational Restructuring, PR 08/94: www.imf.org/external/np/sec/pr/2008/pr0894.htm
- IMF Handbook/Organization of IMF, with descriptions of departments [forthcoming]
- CD-Table 5.1: Distribution of professional and managerial staff by nationality (attached)
- CD-Table 5.2: Distribution of staff by gender (attached)
- CD-Table 5.3: Distribution of staff by developing and industrial countries (attached)
- CD-Table 5.4: IMF staff salary structure (attached)

Communication and transparency

- IMF Executive Board Discusses the IMF's Communications Strategy, PIN 07/74: www.imf.org/external/np/sec/pn/2007/pn0774.htm
- IMF Releases Third Annual Report on the Implementation of the Transparency Policy, PR 08/18: www.imf.org/external/np/sec/pr/2008/pr0818.htm
- CD-Box 5.1: Disseminating information: the IMF's publishing operations and Web site (attached)

Accountability

- IMF Executive Board Discusses Implementation Plan Following IEO Evaluation of the IMF's Exchange Rate Policy Advice, 1999–2005, PIN 07/119: www.imf.org/external/np/sec/pn/2007/pn07119.htm
- Implementation Plan Following IEO Evaluation of the IMF and Aid to Sub-Saharan Africa, PIN 07/93: www.imf.org/external/np/sec/pn/2007/pn0793.htm
- First Periodic Monitoring Report on the Status of Board-Endorsed Recommendations of the Independent Evaluation Office, PIN 08/25: www.imf.org/external/np/sec/pn/2008/pn0825.htm
- CD-Box 5.2: Safeguards assessment policy (attached)

Appendixes

I. International reserves (attached)

II. Financial operations and transactions (attached)

III. Press communiqués of the IMFC and the Development Committee (October 2007 and April 2008) (attached)

IV. Executive Directors and voting power (attached)

V. Changes in membership of the Executive Board (attached)

VI. Financial Statements for FY2008 [forthcoming]

CD-Box 1.1 Progress toward key strategic objectives

Modernization of surveillance

- Launch of Multilateral Consultation with five participants—China, the euro area, Japan, Saudi Arabia, and the United States—on reducing global imbalances while sustaining growth
- Adoption of new Decision on Bilateral Surveillance
- Increased emphasis on spillovers between global economy and national economies and on cross-country experience
- Introduction of quarterly updates of *World Economic Outlook* and *Global Financial Stability Report*
- Expansion of regional surveillance.
- Enhanced financial sector coverage in Article IV consultations
- Refinement of tools for assessing exchange rates
- Integration of analysis from *World Economic Outlook* and *Global Financial Stability Report* and assessments of vulnerabilities in bilateral surveillance

Emerging market member countries

- Strengthened coverage of financial and capital markets issues
- Advice on deepening local capital markets, and examination of issues related to capital inflows
- Continuing discussions on a new liquidity instrument to help countries with crisis prevention
- Updated methodology for assessing underlying vulnerabilities and crisis risks

Low-income countries

- Review and clarification of the Fund's advice in connection with managing aid inflows
- Review of the Fund's role in the Poverty Reduction Strategy process and in donor collaboration
- Review of progress toward the Millennium Development Goals, jointly with the Bank, for the *Global Monitoring Report*
- Implementation of the Multilateral Debt Relief Initiative; changes to the framework of the Heavily Indebted Poor Countries (HIPC) Initiative to accelerate process of qualifying for debt relief

- Follow-up and outreach on the Debt Sustainability Framework to help countries benefit from debt relief while avoiding excessive reaccumulation of debt
- Adoption of the Policy Support Instrument to provide policy support to low-income countries that do not want or need Fund financial assistance
- Adoption of the Exogenous Shocks Facility to provide policy support and financial assistance to PRGF-eligible low-income countries facing exogenous shocks

Capacity building

- Integration of technical assistance and training with surveillance and lending operations
- Alignment of technical assistance with the strategic objectives of the Fund and country authorities
- Lead responsibility for setting technical assistance strategies given to area departments in coordination with country authorities
- Improved costing of technical assistance
- Expansion of regional coverage through regional technical assistance centers
- Introduction of quantitative performance indicators and more systematic evaluation of technical assistance

Governance, organization, and finances

- Approval in FY2007 of first round of ad hoc quota increases for four underrepresented countries
- Approval of quota and voice reform package that includes a new quota formula, a second round of ad hoc increases, the tripling of basic votes, and the authorization of an additional Alternative Executive Director for chairs representing a large number of countries
- Approval of medium-term budget for FY2009–11 that delivers $100 million in savings in real terms
- Approval of new income model
- Formulation and implementation of a Joint Management Action Plan to enhance World Bank–IMF collaboration
- Board endorsement of an enhanced communication strategy as a tool for building understanding and consensus around the Fund’s work and reform agenda
- Streamlined Board documents and more focused staff reports

CD-Table 3.1 Article IV consultations completed during FY2008

Country name	Board date	PIN issued	Staff report published
Afghanistan, Islamic Rep. of	February 13, 2008	February 20, 2008	February 20, 2008
Algeria	February 11, 2008	February 19, 2008	March 17, 2008
Angola	August 27, 2007	September 13, 2007	October 25, 2007
Antigua and Barbuda	February 4, 2008		
Aruba	February 8, 2008	February 22, 2008	February 22, 2008
Australia	August 31, 2007	September 12, 2007	September 12, 2007
Azerbaijan	May 9, 2007	May 30, 2007	June 5, 2007
Bahamas, The	November 26, 2007	January 17, 2008	January 17, 2008
Bahrain	February 11, 2008	March 26, 2008	
Bangladesh	June 22, 2007	June 29, 2007	July 10, 2007
Barbados	September 10, 2007	September 13, 2007	September 13, 2007
Belarus	August 24, 2007	August 30, 2007	September 10, 2007
Belgium	March 21, 2008	March 28, 2008	March 28, 2008
Belize	February 22, 2008	March 6, 2008	March 6, 2008
Bhutan	October 5, 2007	October 12, 2007	October 16, 2007
Bolivia	July 13, 2007	July 17, 2007	July 26, 2007
Bosnia and Herzegovina	July 16, 2007	July 24, 2007	August 2, 2007
Botswana	December 7, 2007	February 8, 2008	February 8, 2008
Brazil	July 30, 2007	September 18, 2007	
Brunei Darussalam	January 30, 2008		
Bulgaria	December 17, 2007	December 19, 2007	December 19, 2007
Burkina Faso	January 9, 2008	January 15, 2008	
Central African Republic	September 28, 2007	October 12, 2007	January 16, 2008
Cambodia	July 25, 2007	July 31, 2007	August 20, 2007
Cameroon	June 18, 2007	July 02, 2007	August 16, 2007
Canada	February 6, 2008	February 25, 2008	February 25, 2008
Chile	July 16, 2007	July 19, 2007	September 26, 2007
Colombia	January 16, 2008	January 28, 2008	January 28, 2008
Congo, Dem. Rep. of	September 5, 2007	September 21, 2007	September 24, 2007
Costa Rica	February 15, 2008	March 10, 2008	March 10, 2008
Côte d'Ivoire	August 3, 2007	August 13, 2007	September 10, 2007
Czech Republic	January 23, 2008	January 29, 2008	January 29, 2008
Dominica	July 16, 2007	August 16, 2007	September 20, 2007
Dominican Republic	January 30, 2008	February 19, 2008	
Ecuador	January 25, 2008	February 27, 2008	
Egypt	November 28, 2007	December 3, 2007	December 13, 2007
El Salvador	November 19, 2007	March 14, 2008	March 14, 2008
Equatorial Guinea	June 8, 2007	April 28, 2008	
Eritrea	April 21, 2008		
Estonia	July 23, 2007	July 30, 2007	July 30, 2007
Ethiopia	June 1, 2007	June 15, 2007	July 20, 2007
Finland	August 1, 2007	August 3, 2007	August 6, 2007
France	February 15, 2008	February 20, 2008	February 20, 2008
Germany	February 22, 2008	February 27, 2008	February 27, 2008
Ghana	May 18, 2007	June 4, 2007	June 20, 2007

CD-Table 3.1 ***(continued)***

Country name	Board date	PIN issued	Staff report published
Greece	April 18, 2008	April 30, 2008	
Grenada	September 26, 2007	October 25, 2007	
Guinea	December 21, 2007	January 17, 2008	January 25, 2008
Guinea-Bissau	September 17, 2007	November 08, 2007	November 28, 2007
Guyana	February 20, 2008	April 03, 2008	
Haiti	July 23, 2007	July 25, 2007	August 23, 2007
Hong Kong	January 18, 2008	February 4, 2008	February 4, 2008
Hungary	July 18, 2007	July 26, 2007	July 26, 2007
Iceland	August 22, 2007	August 29, 2007	August 29, 2007
India	January 23, 2008	February 4, 2008	February 4, 2008
Indonesia	July 18, 2007	July 31, 2007	August 3, 2007
Iraq	August 1, 2007	August 14, 2007	August 31, 2007
Ireland	September 14, 2007	September 25, 2007	September 25, 2007
Israel	February 13, 2008	February 14, 2008	February 14, 2008
Jamaica	April 21, 2008		
Japan	July 27, 2007	August 6, 2007	August 6, 2007
Kazakhstan	June 27, 2007	July 5, 2007	July 10, 2007
Korea	September 12, 2007	September 24, 2007	October 12, 2007
Kuwait	April 18, 2008		
Lao People's Democratic Rep.	August 3, 2007	August 23, 2007	November 7, 2007
Lebanon	October 3, 2007	November 26, 2007	December 14, 2007
Lesotho	November 14, 2007	March 20, 2008	April 21, 2008
Lithuania	April 16, 2008	April 22, 2008	April 22, 2008
Madagascar	June 25, 2007	June 27, 2007	July 10, 2007
Maldives	July 30, 2007	August 9, 2007	
Malta	August 24, 2007	September 7, 2007	September 7, 2007
Mauritius	May 7, 2007	May 29, 2007	June 6, 2007
Mexico	December 3, 2007	December 13, 2007	December 13, 2007
Moldova	March 12, 2008	March 18, 2008	April 25, 2008
Montenegro	January 16, 2008	January 22, 2008	February 4, 2008
Morocco	August 3, 2007	August 9, 2007	September 20, 2007
Mozambique	June 18, 2007	July 24, 2007	July 31, 2007
Myanmar	November 28, 2007		
Namibia	January 18, 2008	February 15, 2008	February 28, 2008
Netherlands	June 13, 2007	June 22, 2007	June 22, 2007
Nigeria	February 13, 2008	February 15, 2008	February 15, 2008
Norway	June 4, 2007	June 7, 2007	June 11, 2007
Oman	April 21, 2008	April 30, 2008	
Pakistan	December 17, 2007	December 20, 2007	January 17, 2008
Palau	April 30, 2008		
Papua New Guinea	February 15, 2008	March 12, 2008	March 12, 2008
Paraguay	June 29, 2007		
Philippines	March 12, 2008		April 02, 2008
Poland	April 16, 2008	April 18, 2008	April 18, 2008
Portugal	September 28, 2007	October 11, 2007	October 11, 2007

CD-Table 3.1 ***(concluded)***

Country name	Board date	PIN issued	Staff report published
Qatar	November 26, 2007	December 14, 2007	January 7, 2008
Romania	May 23, 2007	May 31, 2007	June 25, 2007
Russian Federation	September 12, 2007	October 5, 2007	October 23, 2007
Samoa	May 18, 2007	June 01, 2007	June 1, 2007
Saudi Arabia	September 17, 2007	October 23, 2007	
Serbia	January 28, 2008	February 5, 2008	February 5, 2008
Singapore	September 5, 2007	March 17, 2008	March 17, 2008
Slovak Republic	June 6, 2007	June 22, 2007	July 3, 2007
Slovenia	May 18, 2007	May 23, 2007	May 24, 2007
Solomon Islands	July 16, 2007	September 7, 2007	September 7, 2007
South Africa	July 25, 2007	August 6, 2007	August 6, 2007
Spain	May 16, 2007	May 18, 2007	May 18, 2007
Sri Lanka	November 21, 2007	November 29, 2007	December 3, 2007
St. Kitts and Nevis	February 4, 2008	April 1, 2008	April 8, 2008
St. Lucia	September 26, 2007	January 4, 2008	February 15, 2008
St. Vincent and the Grenadines	February 4, 2008	March 13, 2008	
Sudan	September 7, 2007	October 3, 2007	October 11, 2007
Swaziland	February 6, 2008	February 19, 2008	March 3, 2008
Switzerland	June 1, 2007	June 4, 2007	June 4, 2007
Syrian Arab Republic	July 30, 2007	August 15, 2007	August 15, 2007
Tanzania	June 27, 2007	July 16, 2007	July 20, 2007
Togo	June 8, 2007	June 13, 2007	June 25, 2007
Tonga	July 11, 2007	August 13, 2007	August 30, 2007
Trinidad and Tobago	September 10, 2007	October 11, 2007	January 28, 2008
Tunisia	August 3, 2007	August 9, 2007	August 31, 2007
Turkey	May 18, 2007	June 12, 2007	November 16, 2007
Turkmenistan	May 11, 2007		
United Arab Emirates	September 21, 2007	October 9, 2007	October 16, 2007
United States	July 27, 2007	August 1, 2007	August 1, 2007
Uruguay	August 29, 2007	September 10, 2007	February 1, 2008
Vietnam	October 26, 2007	November 21, 2007	December 17, 2007
Yemen, Republic of	September 17, 2007	September 28, 2007	September 28, 2007
Zambia	December 7, 2007	December 21, 2007	January 30, 2008

PIN = Public Information Notice.

CD-Box 3.1 ROSCs and Data Standards Initiatives

Reports on the Observance of Standards and Codes (ROSCs). Member countries can request ROSCs, assessments of their observance of standards and codes, in any of the following 12 areas: accounting; auditing; anti–money laundering and combating the financing of terrorism (AML/CFT); banking supervision; corporate governance; data dissemination; fiscal transparency; insolvency and creditor rights; insurance supervision; monetary and financial policy transparency; payments systems; and securities regulation. The reports—about 76 percent of which have been published—are used to help sharpen Fund and World Bank policy discussions with national authorities and to strengthen national capacity to participate in, and benefit from, the globalized economy. They are also used in the private sector (including by rating agencies) for risk assessment. Participation in the Standards and Codes Initiative continues to grow. As of end-April 2008, 876 ROSC modules had been completed for 140 countries, or 76 percent of the Fund's membership, and most systemically important countries had volunteered for assessments. More than 410 of the ROSCs were on financial sector standards. Of these, about one-third were related to banking supervision, and the others were fairly evenly distributed across the other standards and codes.

Special Data Dissemination Standard (SDDS). Created in 1996 by the Executive Board, the SDDS is a voluntary standard whose subscribers—countries with access to international capital markets or seeking it—commit to meeting internationally accepted norms of data coverage, frequency, and timeliness. SDDS subscribers provide information about their data compilation and dissemination practices (metadata) for posting on the IMF's Dissemination Standards Bulletin Board (DSBB).[1] Each subscriber is also required to maintain a Web site that disseminates the actual data and that is electronically linked to the DSBB. SDDS subscribers began disseminating prescribed data on external debt in September 2003; data for 58 SDDS subscribers are published in the World Bank's *Quarterly External Debt Statistics (QEDS)*. Between the Executive Board's sixth review of the Data Standards Initiatives in November 2005 and April 30, 2008, Luxembourg, Moldova, and Morocco have subscribed to the SDDS, raising the number of SDDS subscribers to 64.

General Data Dissemination System (GDDS). The Executive Board established the GDDS in 1997 to help IMF member countries improve their statistical systems. The 91 participants in the GDDS at end-April 2008 provide metadata describing their data compilation and dissemination practices, as well as detailed plans for improvement, for posting on the IMF's DSBB. Between the Executive Board's sixth review of the Data Standards Initiatives in November 2005 and April 30, 2008, 10 countries and territories began participating in the GDDS. Of the 97 countries and territories that have participated in the GDDS since it was introduced, 6 have graduated to the SDDS.

To complement the SDDS and GDDS, IMF staff have launched the **Statistical Data and Metadata Exchange (SDMX)** initiative and the **Data Quality Assessment Framework (DQAF)**. The SDMX, which is being developed in collaboration with other international organizations, aims to make electronic exchange and management of statistical information among national and international entities more efficient by providing standard practices, coherent protocols, and other infrastructural blueprints for reporting, exchanging, and posting data on Web sites. The DQAF is an assessment methodology that was integrated into the structure of the data ROSCs following the fourth review of the Data Standards Initiatives in 2001.

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[1]The Web site address is dsbb.imf.org/Applications/web/dsbbhome.

Food and Fuel Price Increases in Sub-Saharan Africa

Background Note for WAEMU Meeting on April 23, 2008, in Abidjan

This note provides a blueprint of specific policy responses that may help countries deal with the impact of high world food and fuel prices in the short and longer term, moving beyond the emergency measures now in place in many countries.

Countries in the West African Economic and Monetary Union (WAEMU) have been hard hit by rising world market prices for foods and oil. The social implications of these rising prices can be dramatic, especially for the poor. The balance of payments will also be substantially affected: preliminary estimates suggest that the impact of higher food and fuel prices on the trade balances of WAEMU countries is expected to be between roughly 1½ and 3 percent of GDP in 2008.

WAEMU: Impact of 2008 food and oil price increases on trade balance
(In percent of 2007 GDP)

	Food	Oil
Benin	–0.6	–1.0
Burkina Faso	–0.3	–1.1
Côte d'Ivoire	–1.1	1.4
Guinea Bissau	–1.1	–1.7
Mali	–0.4	–1.8
Niger	–0.7	–0.8
Senegal	–0.6	–1.2
Togo	–0.4	–2.7

Sources: UN Comtrade; IMF, World Economic Outlook; and staff calculations.

While the increase in food prices partly reflects temporary factors, longer-term factors appear at least as important. On the demand side, rapidly rising biofuels production in the United States and the European Union has reinforced already robust demand growth for food commodities from strong per capita income growth in emerging economies. On the supply side, higher energy and fertilizer costs have raised the cost of agricultural production; and unfavorable weather conditions in a number of countries adversely affected rice and wheat crops in 2007. Recent policies to restrict rice exports by major producers have also contributed to hoarding of stocks. With normal weather conditions, supplies of wheat and rice should improve next year. However, supply adjustment to sharply higher food demand will be more gradual than in the past.

The Fund will cooperate closely with countries in the region to help them deal with the crisis. This includes support for sound policies that will minimize adverse external spillover effects, and advice and technical assistance to countries on appropriate macroeconomic and trade policies. Potential areas for cooperation include technical assistance for the WAEMU Commission on uniform reduction of VAT rates for food, and revisions of the common external tariff structure.

The Fund also stands ready to provide financial support quickly to countries where the price shocks are having a significant impact on the balance of payments. For PRGF countries, the first line of defense is augmentation of access. For Policy Support Instrument (PSI) or non-program countries, the Exogenous Shocks Facility (ESF) is available. The Fund will work closely with the World Bank and donors to ensure support on Poverty and Social Impact Assessments and other measures necessary to address the impact of the food and fuel price increases.

Ultimately, higher food and fuel prices will need to be passed on to consumers. However, a number of important questions confront policy makers: how quickly to pass on these higher prices, how to prevent these price increases from leading to permanently higher inflation expectations, and how to deal with any resulting balance of payments (and fiscal) financing gaps. Over the medium-to-long term, once the duration and magnitude of the shocks are better known, monetary policy will have to play a role in the adjustment. But in the short run, most policy responses will need to come from the fiscal authorities, and this note focuses on those possible responses.

WAEMU countries may wish to establish some general principles for their policy responses to these price increases, such as the following:

(i) coordination of policy responses at the regional level to avoid undermining regional integration or creating incentives for smuggling. This applies to coordination in both the WAEMU and ECOWAS context;

(ii) measures that are targeted and minimize disincentives for long-run supply responses;

(iii) actions that are important primarily for the poor. For instance, subsidizing basic staples such as rice may help mitigate the impact on the poor, while subsidizing petroleum products may not be optimal insofar as this is likely to benefit richer households. If subsidies are introduced, any eventual decreases in prices should be used first to eliminate the subsidies, before being passed through into lower domestic prices;

(iv) fully passing through permanent price shocks over time;

(v) preserving fiscal sustainability.

The WAEMU authorities may wish to consider a range of near-term policies that are consistent with these principles (see attached table highlighting the advantages and disadvantages of various policy responses to food price increases):

- Eliminating tariffs on key food items, possibly on a permanent basis (e.g., revision of the WAEMU's common external tariff structure and/or short-term suspension of tariffs for basic food items).
- Adopting temporary subsidies on the one or two products most vital for the poor, if these subsidies can be funded.
- Adopting temporary fertilizer subsidies, to avoid ruptures in the planting/harvesting cycle.
- Reducing import taxes and tariffs on some products. This could entail a review of the WAEMU common VAT/excise policies for food prices. Consideration could also be given to removing protective taxes on some products, such as for vegetable oil, or specific taxes on butane and lamp oil.
- Expanding school feeding programs.
- Waiving (temporarily) fees for services primarily consumed by the poor.

Fund staff are prepared to assist in the design of specific measures, along the lines of those listed above.

Emergency measures are no substitute for steps that can help address these issues in the medium- to long-term. These steps could include:

- working to develop better targeted social safety nets, including conditional cash transfers and food-for-work programs. Developing a conditional cash transfer system[1] will likely require countries to seek technical and financial assistance from donors and the World Bank, as well as from the Fund;

- removing barriers to enhanced agricultural production, through improving infrastructure and distribution and storage systems, increasing competition, expanding irrigation systems, redirecting subsidies toward high-yield products and key agricultural imports (such as fertilizer), and removing barriers to trade. Again, this will require possibly extensive technical assistance from development partners.

Because these steps take time to yield the intended results, work on these measures would usefully begin now.

Some policies can be distortionary and inefficient, such as generalized (untargeted) subsidies and across-the-board wage increases. If wage increases are necessary, they should be targeted at low-income workers, and be financed in a non-inflationary manner, to avoid a wage-price spiral. Moreover, direct price and export controls can undermine long-run supply responses, discourage food production, be difficult to enforce, and drain scarce resources from other critical purposes.

How these measures are paid for—through higher revenues, a higher deficit, increased grants, or reductions in other expenditures—will need to be based on each country's fiscal circumstances and financing options. The Fund is aware that countries will also need to review budget deficit targets, and temporary increases in fiscal deficits may be called for, depending on the availability of finance, the initial fiscal situation, and other country circumstances, to help mitigate the impact of the crisis.

A key component of policy responses will be food aid, should countries receive such aid. Insofar as additional aid is used to buy (and redistribute) food domestically, program and policy design needs to accommodate this use of aid, which may involve a larger current account deficit (before aid) and even a temporarily higher price level.

[1] A conditional cash transfer program is a mechanism for allocating cash to identified poor households, linked to encouraging certain behaviors that foster human capital accumulation, such as the attendance of school or the use of health care services. As such, they address both current and future poverty.

CD-Table 4.1 Subsidy contributions for Emergency Assistance
(In millions; as of end-April 2008)

Contributor	Date of pledge	Contribution pledged	SDR equivalent[1]	Contribution received
Subaccount 1: EPCA subsidization only				
Belgium	Mar. 2002	SDR 0.63	0.6	0.6
Canada	Oct. 2002	Can$ 3.25	1.7	1.7
Norway	Jun. 2002	SDR 3.0	3.0	3.0
Sweden	Jan. 2002	SDR 0.8	0.8	0.8
Switzerland	Mar. 2002	US$ 1.0	0.8	0.8
United Kingdom	Oct. 2001	£ 2.5	2.9	2.9
Subtotal			**9.7**	**9.7**
Subaccount 2: ENDA subsidization only				
Australia	Jun. 2005	Aus$ 2.0	1.1	0.9
Austria[2]	Apr. 2005	SDR 1.3	1.2	0.4
Canada	Feb. 2005	Can$ 5.0	2.9	2.3
China	May 2005	US$ 2.0	1.4	1.4
Germany[3]	Nov. 2005	€ 1.65	1.4	1.4
India	Feb. 2005	SDR 1.5	1.5	0.3
Ireland	Nov. 2006	€ 0.5	0.5	0.2
Japan	Apr. 2005	US$ 2.5	1.7	1.7
Luxembourg	Feb. 2005	€ 1.25	1.1	0.9
Russia	Feb. 2005	US$ 1.5	1.0	0.6
Saudi Arabia	Apr. 2005	US$ 4.0	2.5	—
Switzerland	Feb. 2005	US$ 2.0	1.4	1.4
Subtotal			**17.6**	**11.4**
Subaccount 3: Subsidization of EPCA and ENDA				
France	Jan. 2005	€ 1.5	1.2	1.2
Netherlands[4]	Mar. 2002	US$ 2.0	1.5	1.5
Netherlands	Mar. 2005	US$ 2.0	1.4	1.4
Norway	Feb. 2005	NKr 10.0	1.1	1.1
Sweden	Feb. 2005	US$ 10.0	6.6	6.6
United Kingdom	Feb. 2005	£ 1.0	1.2	1.2
Subtotal			**13.0**	**13.0**
Total			**40.3**	**34.1**
Memorandum item:				
Pledges made since beginning of 2005			**29.1**	**22.9**

EPCA = Emergency Post-Conflict Assistance
ENDA = Emergency Natural Disaster Assistance
[1]For contributions that have been fully received, the SDR equivalent is the actual SDR amount received using the exchange rate on the value date. For contributions that are not yet disbursed, the SDR equivalent is calculated using the exchange rate at end-April 2008.
[2]Reflecting investment income to be generated on a deposit agreement, effective May 2006.
[3]To subsidize the rate of charge on purchases by Sri Lanka and Maldives under ENDA following the 2004 Tsunami.
[4]Existing contribution, previously earmarked for EPCA.

CD-Table 4.2 Exogenous Shocks Facility subsidy contribution pledges
(In millions of currency units; as of end-April 2008)

	Date of pledge	Form of contribution	Contribution pledged (Amount)		Contribution pledged (SDR equivalent)[1]
Canada	Nov. 28, 2005	Grant	CAN$	25.0	14.3
France	Dec. 16, 2005	Concessional loan	US$	30.0	18.5
Iceland	Jan. 31, 2008	Grant	ISK	10.2	0.1
Japan	Nov. 28, 2005	Grant	SDR	20.0	20.0
Norway	Feb. 22, 2006	Grant	SDR	24.7	24.7
Oman	Mar. 19, 2006	Grant	SDR	3.0	3.0
Russian Federation	Jan. 30, 2006	Grant	SDR	30.0	30.0
Saudi Arabia	Mar. 7, 2006	Investment agreement	SDR	40.0[2]	40.0[2]
Spain	Apr. 24, 2006	Grant	SDR	5.3	5.3
Trinidad and Tobago	Aug. 25, 2006	Deposit agreement	SDR	0.8[2]	0.8[2]
United Kingdom	Nov. 23, 2005	Grant	£	50.0	60.6
Total					**217.2**

[1]Calculated using the exchange rates of end-April 2008.
[2]Reflecting net investment income (in end-2005 net-present-value terms) to be generated from investment/deposit agreements.

CD-Table 4.3 Debt relief following implementation of the MDRI
(In millions of SDRs; as of end-April 2008)

	Delivery date	Fund credit from disbursements prior to end-2004 (A)	Financed by HIPC umbrella sub-accounts[1] (B)	Remaining MDRI-eligible credit (C=A-B=D+E)	Financed by MDRI-I Trust (D)	Financed by MDRI-II Trust (E)
HIPC countries (23)		**2,576**	**399**	**2,176**	**1,093**	**1,083**
1 Benin	Jan. 2006	36	2	34	—	34
2 Bolivia	Jan. 2006	161	6	155	—	155
3 Burkina Faso	Jan. 2006	62	5	57	57	—
4 Cameroon	Apr. 2006	173	24	149	—	149
5 Ethiopia	Jan. 2006	112	32	80	80	—
6 Gambia, The	Dec. 2007	9	2	7	7	—
7 Ghana	Jan. 2006	265	45	220	220	—
8 Guyana	Jan. 2006	45	13	32	—	32
9 Honduras	Jan. 2006	107	9	98	—	98
10 Madagascar	Jan. 2006	137	9	128	128	—
11 Malawi	Sep. 2006	38	23	15	15	—
12 Mali	Jan. 2006	75	13	62	62	—
13 Mauritania	Jun. 2006	33	3	30	—	30
14 Mozambique	Jan. 2006	107	24	83	83	—
15 Nicaragua	Jan. 2006	140	49	92	—	92
16 Niger	Jan. 2006	78	18	60	60	—
17 Rwanda	Jan. 2006	53	33	20	20	—
18 São Tomé and Príncipe	Mar. 2007	1	0	1	1	—
19 Senegal	Jan. 2006	100	6	95	—	95
20 Sierra Leone	Dec. 2006	117	41	77	77	—
21 Tanzania	Jan. 2006	234	27	207	207	—
22 Uganda	Jan. 2006	88	12	76	76	—
23 Zambia	Jan. 2006	403	4	398	—	398
Non-HIPC countries (2)[2]		**126**	**—**	**126**	**126**	**—**
24 Cambodia	Jan. 2006	57	—	57	57	—
25 Tajikistan, Rep. of	Jan. 2006	69	—	69	69	—
Total		**2,702**	**399**	**2,302**	**1,219**	**1,083**

MDRI = Multilateral Debt Relief Initiative
HIPC = Heavily Indebted Poor Countries
Note: Zero denotes less than SDR 1 million.
[1]Balances available at the time of MDRI debt relief.
[2]Non-HIPCs but qualified for MDRI debt relief with a per capita income below the US$380 threshold.

CD-Table 4.4 Implementation of the HIPC Initiative
(In millions of SDRs; as of end-April 2008)

		Decision point	Completion point	Amount committed	Amount disbursed[1]
Completion point countries (23)				**1,559**	**1,672**
1	Benin	Jul. 2000	Mar. 2003	18	20
2	Bolivia	Feb. 2000	Jun. 2001	62[2]	65
3	Burkina Faso	Jul. 2000	Apr. 2002	44[2]	46
4	Cameroon	Oct. 2000	Apr. 2006	29	34
5	Ethiopia	Nov. 2001	Apr. 2004	45	47
6	Gambia, The	Dec. 2000	Dec. 2007	2	2
7	Ghana	Feb. 2002	Jul. 2004	90	94
8	Guyana	Nov. 2000	Dec. 2003	57[2]	60
9	Honduras	Jun. 2000	Apr. 2005	23	26
10	Madagascar	Dec. 2000	Oct. 2004	15	16
11	Malawi	Dec. 2000	Aug. 2006	33	37
12	Mali	Sep. 2000	Mar. 2003	46[2]	49
13	Mauritania	Feb. 2000	Jun. 2002	35	38
14	Mozambique	Apr. 2000	Sep. 2001	107[2]	108
15	Nicaragua	Dec. 2000	Jan. 2004	64	71
16	Niger	Dec. 2000	Apr. 2004	31	34
17	Rwanda	Dec. 2000	Apr. 2005	47	51
18	São Tomé and Príncipe	Dec. 2000	Mar. 2007	0.8	0.9
19	Senegal	Jun. 2000	Apr. 2004	34	38
20	Sierra Leone	Mar. 2002	Dec. 2006	100	107
21	Tanzania	Apr. 2000	Nov. 2001	89	96
22	Uganda	Feb. 2000	May 2000	120[2]	122
23	Zambia	Dec. 2000	Apr. 2005	469	508
Decision point countries (10)				**748**	**41**
24	Afghanistan	Jul. 2007	Floating	—	—
25	Burundi	Aug. 2005	Floating	19	0.3
26	Central African Republic	Sep. 2007	Floating	17	3
27	Chad	May 2001	Floating	14	9
28	Congo, Dem. Rep. of	Jul. 2003	Floating	228	3
29	Congo, Rep. of	Mar. 2006	Floating	6	—
30	Guinea	Dec. 2000	Floating	24	10
31	Guinea-Bissau	Dec. 2000	Floating	9	1
32	Haiti	Nov. 2006	Floating	2	0.1
33	Liberia	Mar. 2008	Floating	428	15
Pre-decision point countries (6)					
34	Comoros	. . .	. . .	. . .	. . .
35	Côte d'Ivoire	. . .	. . .	. . .	. . .
36	Eritrea	. . .	. . .	. . .	. . .
37	Kyrgyz Republic	. . .	. . .	. . .	. . .
38	Nepal	. . .	. . .	. . .	. . .
39	Togo	. . .	. . .	. . .	. . .
Protracted arrears cases (2)					
40	Somalia	. . .	. . .	. . .	. . .
41	Sudan	. . .	. . .	. . .	. . .
Total				**2,324**[3]	**1,713**

HIPC = Heavily Indebted Poor Countries.
[1]Includes interest on amounts committed under the enhanced HIPC Initiative.
[2]Includes commitment under the original HIPC Initiative.
[3]Including SDR 17 million committed to Côte d'Ivoire under the original HIPC Initiative.

CD-Table 4.5 IMF Institute training programs, FY2006–08

	FY2006	FY2007	FY2008[1]
Headquarters training			
Course-weeks	79	87	78
Participant-weeks[2]	2,946	3,182	2,819
Regional training institutes and programs[3]			
Course-weeks	152	152	172
Participant-weeks	4,866	4,586	5,287
Other overseas training			
Course-weeks	38	33	35
Participant-weeks	1,125	983	1,069
Distance learning[4]			
Course-weeks	16	16	18
Participant-weeks	569	624	630
Total course-weeks	**285**	**288**	**303**
Total participant-weeks	**9,506**	**9,375**	**9,805**

Source: IMF Institute.
[1]Figures for FY2008 are estimates.
[2]Includes participation by member country officials in economics training courses for IMF staff.
[3]Includes the Joint Vienna Institute (JVI), the IMF-Singapore Regional Training Institute (STI), the IMF-Arab Monetary Fund Regional Training Program, the Joint Africa Institute (JAI), the Joint China-IMF Training Program, the Joint India-IMF Training Program, and the Joint Regional Training Center for Latin America. (See CD-Table 4.6.)
[4]Participation in the residential component of distance-learning courses is counted under distance learning.

CD-Table 4.6 IMF Institute regional training programs

Regional program	Date established	Location	Cosponsors[1]	Targeted participant countries
Joint Vienna Institute[2]	1992	Austria	Austrian authorities	Transition countries in Europe and Asia
IMF-Singapore Regional Training Institute	1998	Singapore	Government of Singapore	Developing and transition countries in Asia and the Pacific
IMF-Arab Monetary Fund Regional Training Program	1999	United Arab Emirates	Arab Monetary Fund	Member countries of the Arab Monetary Fund
Joint Africa Institute	1999	Tunisia	African Development Bank, World Bank	African countries
Joint China-IMF Training Program	2000	China	People's Bank of China	China
Joint Regional Training Center for Latin America	2001	Brazil	Government of Brazil	Latin American countries
Joint India-IMF Training Program	2006	India	Reserve Bank of India	India, other countries in South Asia, countries in East Africa

[1]The IMF receives substantial financial contributions from Australia and Japan that help defray the IMF's share of the costs of some of these programs.
[2] Austria and the IMF are the primary members. The European Bank for Reconstruction and Development, the Organization for Economic Cooperation and Development, the World Bank, and the World Trade Organization are "contributing members," making financial contributions that help defray the cost of their own courses. A few European countries that are not members of the Joint Vienna Institute provide additional financial support.

Resolution No. 63-2

Reform of Quota and Voice in the International Monetary Fund

In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on March 28, 2008 for a vote without meeting. Considering that the Resolution is also proposing adjustments in the quotas of members that have requested such adjustment and whose names are listed in Attachment I of the Resolution, the adoption of the Resolution requires positive responses from Governors having an eighty-five percent majority of the total voting power:

WHEREAS in response to the request of the Board of Governors set forth in Resolution 61-5, the Executive Board has submitted to the Board of Governors a report entitled "Reform of Quota and Voice in the International Monetary Fund: Report of the Executive Board to the Board of Governors", hereinafter the "Report"; and

WHEREAS the Executive Board has recommended increases in the quotas of a number of Fund members, all of whom have requested that their quotas be increased; and

WHEREAS in response to the request of the Board of Governors set forth in Resolution 61-5, the Executive Board has proposed an amendment of the Articles of Agreement that (a) would have the effect of increasing the number of basic votes of members and establish a mechanism to ensure that the ratio of the sum of the basic votes of all members to the sum of the total voting power of all members remains constant and (b) would enable each Executive Director elected by a large number of members to appoint a second Alternate Executive Director; and

WHEREAS the Chairman of the Board of Governors has requested the Secretary of the Fund to bring the proposal of the Executive Board before the Board of Governors; and

WHEREAS the Report of the Executive Board setting forth its proposal has been submitted to the Board of Governors by the Secretary of the Fund; and

WHEREAS the Executive Board has requested the Board of Governors to vote on the following Resolution without meeting, pursuant to Section 13 of the By-Laws of the Fund:

NOW THEREFORE, the Board of Governors, noting the recommendation and the said Report of the Executive Board, hereby RESOLVES that:

A. Increase in Quotas of Members

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund listed in Attachment I to this Resolution shall be increased to the amounts shown against their names in Attachment I.

2. A member's increase in quota shall not become effective unless the member in question has consented in writing to the increase and has paid to the Fund the full amount of such increase. Each member shall pay 25 percent of its increase either in special drawing rights or in the currencies of other members specified, with their concurrence, by the Fund, or in any combination of special drawing rights and such currencies. The balance of the increase shall be paid by each member in its own currency.

3. Each member shall consent to the proposed increase of its quota no later than October 31, 2008; provided that the Executive Board may extend this period as it may determine, taking into account, in particular, the need of members to obtain domestic legislative approval.

4. Each member shall pay to the Fund the increase in its quota within 30 days of the later of (a) the date on which it notifies the Fund of its consent or (b) the date on which the

requirement for the effectiveness of the increase in quota under paragraph 5 below has been met; provided that the Executive Board may extend the payment period as it may determine.

5. No increase in quota shall become effective before the entry into force of the proposed amendment of the Articles of Agreement approved by this Resolution.

B. Future Quota Reviews

To ensure that members' quota shares continue to reflect their relative positions in the world economy, the Executive Board is requested to recommend further realignments of members' quota shares in the context of future general quota reviews, beginning with the Fourteenth General Review of Quotas.

C. Amendment of the Articles of Agreement

1. The proposed amendment of the Articles of Agreement of the International Monetary Fund set forth in Attachment II to this Resolution (the Proposed Amendment to Enhance Voice and Participation in the International Monetary Fund) is approved.

2. The Secretary is directed to ask all members of the Fund, by circular letter or telegram, or other rapid means of communication, whether they accept, in accordance with the provisions of Article XXVIII of the Articles, the Proposed Amendment to Enhance Voice and Participation in the International Monetary Fund.

3. The communication to be sent to all members in accordance with the previous paragraph shall specify that the Proposed Amendment to Enhance Voice and Participation in the International Monetary Fund shall enter into force for all members as of the date on which the Fund certifies, by formal communication addressed to all members, that three-fifths of the members, having eighty-five percent of the total voting power, have accepted the Proposed Amendment to Enhance Voice and Participation in the International Monetary Fund.

D. Members Entitled to Appoint Two Alternate Executive Directors

1. Following the first regular election of Executive Directors after entry into force of the Proposed Amendment to Enhance Voice and Participation in the International Monetary Fund, an Executive Director elected by at least 19 members shall be entitled to appoint two Alternate Executive Directors.

2. As a condition for appointing two Alternate Executive Directors, an Executive Director is required to designate by notification to the Secretary of the Fund: (i) the Alternate who shall act for the Executive Director when he is not present and both Alternates are present and (ii) the Alternate who shall exercise the powers of the Executive Director pursuant to Article XII, Section 3(f). By notification to the Secretary of the Fund, an Executive Director may change these designations at any time.

ATTACHMENT I

	Proposed Quota (In millions of SDRs)		Proposed Quota (In millions of SDRs)
Albania	60.0	Malaysia	1,773.9
Austria	2,113.9	Maldives	10.0
Bahrain	176.4	Mexico	3,625.7
Bhutan	8.5	Norway	1,883.7
Botswana	87.8	Oman	237.0
Brazil	4,250.5	Palau, Republic of	3.5
Cape Verde	11.2	Philippines	1,019.3
Chad	66.6	Poland	1,688.4
China	9,525.9	Portugal	1,029.7
Costa Rica	187.1	Qatar	302.6
Cyprus	158.2	San Marino	22.4
Czech Republic	1,002.2	Seychelles	10.9
Denmark	1,891.4	Singapore	1,408.0
Ecuador	347.8	Slovak Republic	427.5
Equatorial Guinea	52.3	Slovenia	275.0
Eritrea	18.3	Spain	4,023.4
Estonia	93.9	Syrian Arab Republic	346.8
Germany	14,565.5	Thailand	1,440.5
Greece	1,101.8	Timor-Leste	10.8
India	5,821.5	Turkey	1,455.8
Ireland	1,257.6	Turkmenistan	98.6
Israel	1,061.1	United Arab Emirates	752.5
Italy	7,882.3	United States	42,122.4
Japan	15,628.5	Vietnam	460.7
Kazakhstan	427.8		
Korea	3,366.4		
Latvia	142.1		
Lebanon	266.4		
Lithuania	183.9		
Luxembourg	418.7		

ATTACHMENT II

Proposed Amendment of the Articles of Agreement of the International Monetary Fund to Enhance Voice and Participation in the International Monetary Fund

The Governments on whose behalf the present Agreement is signed agree as follows:

1. The text of Article XII, Section 3(e) shall be amended to read as follows:

"(e) Each Executive Director shall appoint an Alternate with full power to act for him when he is not present, provided that the Board of Governors may adopt rules enabling an Executive Director elected by more than a specified number of members to appoint two Alternates. Such rules, if adopted, may only be modified in the context of the regular election of Executive Directors and shall require an Executive Director appointing two Alternates to designate: (i) the Alternate who shall act for the Executive Director when he is not present and both Alternates are present and (ii) the Alternate who shall exercise the powers of the Executive Director under (f) below. When the Executive Directors appointing them are present, Alternates may participate in meetings but may not vote."

2. The text of Article XII, Section 5(a) shall be amended to read as follows:

"(a) The total votes of each member shall be equal to the sum of its basic votes and its quota-based votes.

> (i) The basic votes of each member shall be the number of votes that results from the equal distribution among all the members of 5.502 percent of the aggregate sum of the total voting power of all the members, provided that there shall be no fractional basic votes.
> (ii) The quota-based votes of each member shall be the number of votes that results from the allocation of one vote for each part of its quota equivalent to one hundred thousand special drawing rights."

3. The text of paragraph 2 of Schedule L shall be amended to read as follows:

"2 The number of votes allotted to the member shall not be cast in any organ of the Fund. They shall not be included in the calculation of the total voting power, except for purposes of: (a) the acceptance of a proposed amendment pertaining exclusively to the Special Drawing Rights Department and (b) the calculation of basic votes pursuant to Article XII, Section 5(a)(i)."

The Board of Governors adopted the foregoing Resolution, effective April 28, 2008.

CD-Table 5.1 Distribution of professional and managerial staff by nationality[1]
(In percent)

Region[2]	**1980**	**1990**	**2006**	**2007**[3]
Africa	**3.8**	**5.8**	**5.7**	**6.1**
Asia	**12.3**	**12.7**	**15.0**	**15.4**
Japan	1.4	1.9	1.6	1.7
Other Asia	10.9	10.8	13.4	13.6
Europe	**39.5**	**35.1**	**35.7**	**35.9**
France	6.9	5.5	4.5	4.3
Germany	3.7	4.3	5.2	5.0
Italy	1.7	1.4	2.8	3.0
United Kingdom	8.2	8.0	5.3	5.2
Transition economies	—	—	5.6	6.2
Other Europe	19.0	15.9	12.3	12.2
Middle East	**5.4**	**5.5**	**4.7**	**4.5**
Western Hemisphere	**39.1**	**41.0**	**39.0**	**38.0**
Canada	2.6	2.8	3.5	3.4
United States	25.9	25.9	23.4	22.9
Other Western Hemisphere	10.6	12.3	12.1	11.8
Total	**100**	**100**	**100**	**100**

Source: Recruitment and Staffing Division, Human Resources Department.
Note: Percentage totals may not add up to 100 percent because of rounding.
[1]Includes staff in grades A9–B5.
[2]Regions are defined broadly on the basis of the country distribution of the IMF's area departments; beginning in 2004, regions are defined according to the country groupings in the *2004 Diversity Annual Report*. The European region includes Russia and countries of the former Soviet Union. The Middle East region includes countries in North Africa.
[3]Data as of December 31, 2007.

CD-Table 5.2 Distribution of staff by gender

	1980		1990		2006[1]		2007[1]	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
All staff	**1,444**	**100**	**1,774**	**100**	**2,678**	**100**	**2,605**	**100**
Women	676	46.8	827	46.6	1,232	46.0	1,197	46.0
Men	768	53.2	947	53.4	1,446	54.0	1,408	54.1
Total support staff[2]	**613**	**100**	**642**	**100**	**673**	**100**	**641**	**100**
Women	492	80.3	540	84.1	584	86.8	562	87.7
Men	121	19.7	102	15.9	89	13.2	79	12.3
Total professional staff[3]	**646**	**100**	**897**	**100**	**1,650**	**100**	**1,617**	**100**
Women	173	26.8	274	30.6	590	35.8	581	35.9
Men	473	73.2	623	69.5	1,060	64.3	1,036	64.1
Total economists	***362***	***100***	***529***	***100***	***1,027***	***100***	***1,019***	***100***
Women	42	11.6	70	13.2	262	25.5	263	25.8
Men	320	88.4	459	86.8	765	74.5	756	74.2
Total specialized career streams	***284***	***100***	***368***	***100***	***623***	***100***	***598***	***100***
Women	131	46.1	204	55.4	328	52.7	318	53.2
Men	153	53.9	164	44.6	295	47.4	280	46.8
Total managerial staff[4]	**185**	**100**	**235**	**100**	**355**	**100**	**347**	**100**
Women	11	6.0	13	5.5	58	16.3	54	15.6
Men	174	94.1	222	94.5	297	83.7	293	84.4
Total economists	***99***	***100***	***184***	***100***	***284***	***100***	***279***	***100***
Women	4	4.0	9	4.9	33	11.6	32	11.5
Men	95	96.0	175	95.1	251	88.4	247	88.5
Total specialized career streams	***86***	***100***	***51***	***100***	***71***	***100***	***68***	***100***
Women	7	8.1	4	7.9	25	35.2	22	32.4
Men	79	91.9	47	92.2	46	64.8	46	67.7

Source: Recruitment and Staffing Division, Human Resources Department.
Note: Percentage totals may not add up to 100 percent because of rounding.
[1]Includes only staff on duty; differs from the number of approved positions.
[2]Staff in Grades A1–A8.
[3]Staff in Grades A9–A15.
[4]Staff in Grades B1–B5.

CD-Table 5.3 Distribution of staff by developing and industrial countries

	1990		2006[1]		2007[1]	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
All staff	**1,774**	**100**	**2,678**	**100.0**	**2,605**	**100**
Developing countries	731	41.2	1,178	44.0	1,176	45.1
Industrial countries	1,043	58.8	1,500	56.0	1,429	54.9
Total support staff[2]	**642**	**100**	**673**	**100**	**641**	**100**
Developing countries	328	51.1	369	54.8	365	56.9
Industrial countries	314	48.9	304	45.2	276	43.1
Total professional staff[3]	**897**	**100**	**1,650**	**100**	**1,617**	**100**
Developing countries	343	38.2	704	42.7	711	44.0
Industrial countries	554	61.8	946	57.3	906	56.0
Total economists	***529***	***100***	***1,027***	***100***	***1,019***	***100***
Developing countries	220	41.6	463	45.1	471	46.2
Industrial countries	309	58.4	564	54.9	548	53.8
Total specialized career streams	***368***	***100***	***623***	***100***	***598***	***100***
Developing countries	123	33.4	241	38.7	240	40.1
Industrial countries	245	66.6	382	61.3	358	59.9
Total managerial staff[4]	**235**	**100**	**355**	**100**	**347**	**100**
Developing countries	60	25.5	105	29.6	100	28.8
Industrial countries	175	74.5	250	70.4	247	71.2
Total economists	***184***	***100***	***284***	***100***	***279***	***100***
Developing countries	54	29.4	86	30.3	81	29.0
Industrial countries	130	70.7	198	69.7	198	71.0
Total specialized career streams	***51***	***100***	***71***	***100***	***68***	***100***
Developing countries	6	11.8	19	26.8	19	27.9
Industrial countries	45	88.2	52	73.2	49	72.1

Source: Recruitment and Staffing Division, Human Resources Department.
Note: Percentage totals may not add up to 100 percent because of rounding.
[1]Includes only staff on duty; differs from the number of approved positions.
[2]Staff in Grades A1–A8.
[3]Staff in Grades A9–A15.
[4]Staff in Grades B1–B5.

CD-Table 5.4 IMF staff salary structure
(In U.S. dollars, effective May 1, 2008)

Grade[1]	Range minimum	Range maximum	Illustrative position titles[2]
A1	27,030	40,550	Not applicable (activities at this level have been outsourced)
A2	30,260	45,380	Driver
A3	33,880	50,820	Staff Assistant (clerical)
A4	37,950	56,930	Staff Assistant (beginning secretarial)
A5	42,540	63,820	Staff Assistant (experienced secretarial)
A6	47,580	71,380	Administrative Assistant, other Assistants (for example, Editorial, Computer Systems, Human Resources, External Relations)
A7	53,340	80,000	Research Assistant, Senior Administrative Assistant, other Senior Assistants (for example, Accounting, Human Resources, Editorial, External Relations)
A8	59,750	89,630	Senior Administrative Assistant
A9	60,790	91,190	Librarian, Translator, Research Officer, Human Resources Officer, External Relations Officer
A10	69,740	104,620	Accountant, Research Officer, Administrative Officer
A11	79,590	119,390	Economist (Ph.D. entry level), Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A12	91,360	137,040	Economist, Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A13	104,110	156,170	Economist, Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A14	121,070	181,610	Deputy Division Chief, Senior Economist
A15/B1	137,860	206,800	Division Chief, Deputy Division Chief
B2	161,060	233,540	Division Chief, Advisor
B3	191,350	248,750	Assistant Department Director
B4	220,350	281,390	Deputy Department Director, Senior Advisor
B5	256,360	321,480	Department Director

Note: Because IMF staff other than U.S. citizens are usually not required to pay income taxes on their IMF compensation, the salaries are set on a net-of-tax basis, which is generally equivalent to the after-tax take-home pay of the employees of the public and private sector firms from which IMF salaries are derived.

[1]Grades A1–A8 are support staff; grades A9–A15 are professional staff; grades B1–B5 are managerial staff.

CD-Box 5.1 Disseminating information: the IMF's publishing operations and Web site

The IMF publishes a wide variety of material targeting a broad readership. Many of the Fund's publications are available both in print and on its Web site (www.imf.org); selected publications are also available in languages other than English.

- The *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR) are the main vehicles through which the IMF disseminates its multilateral surveillance findings and its analytical work on pressing global economic issues.
- The IMF releases a large number of reports and other documents covering economic and financial developments and trends in member countries, including Article IV Reports, Reports Related to Use of IMF Resources, Selected Issues papers, and Statistical Appendixes. Each report, based on the staff's analytical work and meetings with country officials, is prepared independently by a staff team and published at the option of the member. In almost all cases, Executive Board discussions of these papers are summarized in Public Information Notices (PINs), which are available on the IMF's Web site.
- The IMF's *Annual Report* provides a comprehensive look at the IMF's activities in each financial year and is designed to be used as a reference tool.
- The *Annual Report on Exchange Arrangements and Exchange Restrictions* compiles annual data on the exchange rate systems in all IMF member countries as well as an overview of trends in global exchange arrangements.
- Research on the international monetary system and other topical subjects by IMF staff, as well as by academics and practitioners outside the IMF, is published in *IMF Staff Papers*, a quarterly journal. IMF Working Papers series, Occasional Papers series, books, and various other publications disseminate a wide array of IMF staff research on the international monetary system.
- The Fund's Dissemination Standards Bulletin Board (dsbb.imf.org/Applications/web/ dsbbhome/) provides links to the data and statistical Web sites of subscribers to the Special Data Dissemination Standard (SDDS) and participants in the General Data Dissemination System (GDDS) and presents comprehensive information on the methods and practices behind the compilation and dissemination of such data in a user-friendly format comparable across countries.
- *International Financial Statistics* (IFS), produced monthly, provides updated financial information from countries around the world; the IMF's Statistics Department also produces a yearbook containing annual data over 12 years for the countries covered in the monthly publication. Other statistical publications include the *Balance of Payments (BOP) Statistics*

Yearbook, Government Finance Statistics Yearbook, and *Direction of Trade (DOT) Statistics.* The IFS, BOP, and DOT databases are available online to subscribers.

- Guides and manuals published by the Fund cover a variety of subjects, such as balance of payments statistics and compilation, external debt statistics, foreign direct investment trends, monetary and financial statistics, the producer price index, and financial soundness indicators.
- The online *IMF Survey Magazine* reports on current IMF policies and activities (www.imf.org). A print edition is mailed monthly to subscribers.
- The quarterly magazine *Finance and Development* (F&D) contains articles written in nontechnical language and is aimed at disseminating information on topical subjects to nonspecialists.
- Issues Briefs on the IMF's Web site provide nontechnical descriptions of, and contribute to the debate on, policy issues of topical interest.
- Factsheets on the IMF's Web site provide nontechnical descriptions of the IMF's operations and policies.
- Op-eds in publications worldwide and speeches published on the external Web site offer broad overviews of the IMF and its policies.
- A Web site for civil society organizations (www.imf.org/civil society) covers IMF activities, civil society outreach, and other issues of particular interest to civil society.
- A Web site for legislators (www.imf.org/external/np/legislators/index.htm) provides a forum for interactive discussions on issues relevant to the IMF and features IMF activities and information of particular interest to legislators.
- Videos about the work of the IMF are available to interested media, educational institutions, and social organizations, and are also used in recruitment activities.
- The quarterly electronic newsletter, *New and Noteworthy,* is e-mailed worldwide to inform external audiences of new and upcoming IMF publications and information products.

CD-Box 5.2 Safeguards assessment policy

The safeguards policy has been an integral part of the Fund's lending operations since 2002. Initiated in 2000 after several instances of misreporting of data to the IMF and allegations of misuse of IMF resources, it supplements conditionality, technical assistance, and other means at the Fund's disposal to ensure the proper use of its financing. A cornerstone of the policy is that central banks of member countries borrowing from the IMF publish annual financial statements that have been independently audited in accordance with international standards.

Objective of safeguards assessments

- To provide reasonable assurance to the IMF that a central bank's auditing, financial reporting, control systems, and legal structure and independence are adequate to ensure the integrity of operations and minimize the risk of misuse of resources or misreporting of data.

Applicability of safeguards assessments

- Safeguards assessments are obligatory for central banks of (1) member countries with new arrangements for use of IMF resources approved after June 30, 2000, or existing arrangements that are augmented; (2) member countries following a Rights Accumulation Program (RAP) under which resources are being committed; and (3) member countries receiving Emergency Post-Conflict Assistance.
- Central banks of member countries with a Policy Support Instrument (PSI) are encouraged to undertake a safeguards assessment, which would become a requirement in the event of a need for access to IMF resources.
- The assessments are voluntary for central banks of member countries with Staff-Monitored Programs.
- They are not applicable to first-credit-tranche purchases, stand-alone Compensatory Financing Facility arrangements, or Emergency Natural Disaster Assistance (ENDA).

Methodology

- Safeguards assessments follow established procedures to ensure consistency in application. All central banks subject to an assessment provide a standard set of documents to IMF staff, who review the information and communicate as needed with central bank officials and external auditors. The review may be supplemented by an on-site visit. Reviews have increasingly taken the form of updates of earlier assessments and risk-based monitoring of central banks' safeguards frameworks.

- The assessment covers five key areas (ELRIC): the **E**xternal audit mechanism, the **L**egal structure and independence, the financial **R**eporting framework, the **I**nternal audit mechanism, and the internal **C**ontrols system.
- The outcome of a safeguards assessment is a confidential report that identifies vulnerabilities and makes recommendations to mitigate the identified risk. Central bank authorities have the opportunity to comment on all safeguards assessment reports. The conclusions and agreed remedial measures are reported in summary form to the IMF Executive Board when an arrangement is approved or, at the latest, by the time of the first review under the arrangement, but the safeguards report itself is not made available to the Board or the general public.
- Central banks provide their financial statements and related audit reports to IMF staff for as long as IMF credit is outstanding. This information is used to monitor new developments in a central bank's safeguards framework. IMF staff also monitor the implementation of previous safeguards recommendations.

Safeguards findings and experience

The findings of safeguards assessments to date indicate that significant, but avoidable, risks to IMF resources may have existed in certain cases, although identified vulnerabilities have generally declined in significance and frequency over time. Typical recommendations of an assessment include the following:

- independent external audits of central bank financial statements in accordance with international audit standards;
- regular reconciliation of the economic monetary data reported to the IMF with the underlying accounting records of the central bank;
- enhancement of the financial reporting framework, through the adoption of International Financial Reporting Standards (IFRS); and
- publication of the audited financial statements.

Experience with the safeguards policy has shown that strengthened control and reporting frameworks at central banks contribute to improved information quality and transparency. In addition, more robust audit and oversight processes have contributed to the unearthing of emerging issues sooner rather than later, along with timelier adoption of remedial measures.

Safeguards outreach

- IMF staff conduct annual seminars on safeguards assessments for central bank officials at IMF headquarters and regional training centers in Singapore and Vienna. As of April 30, 2008, some [402] officials from [105] countries had attended these seminars.
- Broader outreach involves publication of the staff's papers, such as periodic reviews of the policy and annual updates on assessment experience, and other background information concerning the safeguards policy on the IMF Web site, at www.imf.org/external/fin.htm.

APPENDIX | I

International reserves

Total international reserves, including gold, increased by 21 percent during 2007 and stood at SDR 4.5 trillion[1] at the end of the year (Table I.1). Foreign exchange reserves, the largest component of official reserve holdings, grew by 21 percent, to SDR 4.0 trillion. IMF-related assets (that is, reserve positions in the IMF and SDRs), which account for the balance of nongold reserves, fell by 10 percent to SDR 32 billion, reflecting the continued decline in outstanding credit to member countries. The market value of gold held by monetary authorities increased by 23 percent to SDR 450 billion in 2007.[2]

Foreign exchange reserves

Foreign exchange reserves accounted for 99 percent of nongold international reserves at the end of 2007. Developing countries held SDR 3.1 trillion of reserves (77 percent of the total), an increase of 28 percent since the end of 2006, while industrial countries held SDR 950 billion, an increase of 2 percent since the end of 2006.

IMF-related assets

During 2007, members' reserve positions in the IMF—which consist of members' reserve tranche and creditor positions—declined by 22 percent to SDR 14 billion, while the SDR holdings of IMF members remained at SDR 18 billion. The decline in the reserve positions was attributable mostly to the industrial countries, which account for two-thirds of the reserve positions and SDR holdings.

Gold reserves

The market value of gold reserves increased by 23 percent in 2007, as higher gold prices more than offset the 2 percent decline in the physical stock of official gold. However, the share of gold in official reserves in 2007 (10 percent) is much lower than in the early 1980s, when gold accounted for about half of all official reserves. At the end of 2007, gold

[1]On March 31, 2008, SDR 1=US$1.64450.

[2] Official monetary authorities include central banks as well as currency boards, exchange stabilization funds, and treasuries, to the extent that the latter group of entities perform monetary authorities' functions.

constituted 27 percent of the total reserves of industrial countries, which hold 82 percent of the world's gold reserves, and 3 percent of the total reserves of developing countries.

Developments during the first quarter of 2008

During the first quarter of 2008, total reserve assets rose by SDR 164 billion, and foreign exchange reserves by SDR 131 billion. Reflecting rising gold prices in the first quarter, the market value of gold reserves increased by SDR 33 billion, while holdings of IMF-related assets remained broadly stable.

Currency composition of foreign exchange reserves

Information about the currency composition of foreign exchange reserves is available for about 63½ percent of total reserves—virtually the entirety of industrial countries' reserves and just over 50 percent of developing countries' reserves (Table I.2). This composition has changed gradually over the past decade. In particular:

- The share of U.S. dollar holdings in foreign exchange reserves peaked at 71 percent during 1999–2001 and has since declined to 64 percent in 2007, driven largely by the decline in the value of U.S. dollar holdings over the same period, which offset robust purchases of dollar assets (Table I.3).
- The share of the euro, which replaced 11 European currencies and the European currency unit (ECU) on January 1, 1999, increased sharply between 1999 and 2003, and after a period of relative stability it increased further in 2007, to over 26 percent of total foreign exchange reserves at year-end. This latest increase reflected both significant net purchases and the appreciation of the euro relative to other major currencies. The share of the euro in total foreign exchange reserves from 1999 onwards is not directly comparable with the combined share in previous years of the deutsche mark, French franc, Netherlands guilder, and private ECU, since the reserves formerly denominated in euro-legacy currencies[3] became domestic assets of the euro area when the euro was introduced.
- The share of foreign exchange reserves denominated in Japanese yen has continued to decline (from 6 percent in the late 1990s to 3 percent at the end of 2007), while the share of reserves denominated in pound sterling has continued to rise (to 4 ¾ percent at end-

[3] Those foreign exchange reserves that, up to December 31, 1998, were denominated in euro area former national currencies and private ECUs.

2007). The share denominated in Swiss francs remained well below 1 percent, while the share of other currencies has been less than 2 percent since 1999.

- "Unallocated" reserves, for which no information on the currency composition is available, represent an increasing share of global reserves since 2000 (over 36 percent in 2007).

The share of U.S. dollar holdings by industrial countries fell below 70 percent at the end of 2007, while the share of euro holdings rose to 23 percent. The share of yen holdings continued to decline (to around 3 percent), while the share of pound sterling continued to rise (to 2.8 percent) and Swiss franc holdings remained broadly stable.

The share of the U.S. dollar in developing countries' foreign exchange reserves remained close to 60 percent in 2007, significantly lower than in earlier years (1998–2002).[4] Euro holdings remained at 28 percent of those countries' foreign exchange reserves, nearly 10 percentage points higher than in 1999–2000. Over the past decade, the share of the yen gradually decreased by about 3 percentage points, to 3 percent at the end of 2007, while the share of pound sterling increased by more than 2 percentage points, to 6 percent in 2007. The share of the Swiss franc has remained below 1 percent over the same period. No information on currency composition is available for over 47 percent of developing countries' foreign exchange reserves (up from 36 percent in 2000).

Changes in the SDR value of foreign exchange reserves can be decomposed into quantity and valuation (price) changes (Table I.3). Official reserves held in U.S. dollars increased by SDR 203 billion in 2007, reflecting a quantity increase in U.S. dollar holdings of SDR 280 billion and a valuation decrease of SDR 77 billion. Euro holdings increased by SDR 128 billion, as a quantity increase of SDR 88 billion was boosted by a valuation increase of SDR 40 billion. As for other currencies, Japanese yen holdings increased by SDR 7 billion and pound sterling holdings by SDR 24 billion, despite some valuation declines.

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[4] This calculation does not include unallocated reserves, which account for nearly half of all official foreign exchange reserves held by developing countries.

Table I.1. Official Holdings of Reserve Assets[1]
(In billions of SDRs)

	2002	2003	2004	2005	2006	2007	Mar. 2008
All countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	66.1	66.5	55.8	28.6	17.5	13.7	13.4
SDRs	19.7	19.9	20.3	20.1	18.2	18.4	18.5
Subtotal, Fund-related assets	85.7	86.4	76.1	48.6	35.7	32.1	31.9
Foreign exchange	1771.5	2036.0	2413.9	2921.1	3348.1	4047.9	4178.8
Total reserves excluding gold	1857.4	2122.6	2490.1	2969.8	3384.2	4080.4	4211.0
Gold[2]							
Quantity (millions of ounces)	932.3	914.6	897.6	879.0	867.7	852.6	850.7
Value at London market price	235.1	256.8	253.1	315.5	366.7	449.9	482.9
Total reserves including gold	2092.4	2379.5	2743.2	3285.3	3750.9	4530.3	4693.9
Industrial countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	53.8	52.7	43.7	21.1	11.9	8.9	8.7
SDRs	15.8	15.3	15.3	12.5	13.5	13.7	13.5
Subtotal, Fund-related assets	69.6	68.0	59.0	33.5	25.5	22.7	22.2
Foreign exchange	669.8	758.3	853.1	910.7	933.1	950.0	953.2
Total reserves excluding gold	739.7	826.6	912.3	944.4	958.9	973.2	975.8
Gold[2]							
Quantity (millions of ounces)	770.6	755.0	741.3	724.4	713.4	696.7	694.5
Value at London market price	194.3	212.0	209.1	260.0	301.4	367.6	394.2
Total reserves including gold	933.9	1038.6	1121.3	1204.5	1260.4	1340.8	1370.0
Developing countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	12.3	13.8	12.1	7.5	5.6	4.8	4.7
SDRs	3.9	4.6	5.0	7.6	4.7	4.6	5.0
Subtotal, Fund-related assets	16.1	18.4	17.1	15.1	10.3	9.4	9.7
Foreign exchange	1101.7	1277.7	1560.8	2010.3	2415.0	3097.8	3225.5
Total reserves excluding gold	1117.7	1296.0	1577.8	2025.4	2425.3	3107.3	3235.2
Gold[2]							
Quantity (millions of ounces)	161.8	159.6	156.2	154.6	154.4	155.9	156.2
Value at London market price	40.8	44.8	44.1	55.5	65.2	82.3	88.7
Total reserves including gold	1158.5	1340.8	1621.9	2080.8	2490.5	3189.5	3323.9

Note: Components may not sum to totals because of rounding.
Source: International Monetary Fund, *International Financial Statistics*.
[1]End of year figures for all years except 2008. "IMF-related assets" comprise reserve positions in the IMF and SDR holdings of all IMF members. The entries under "Foreign exchange" and "Gold" comprise official holdings of those IMF members for which data are available and certain countries or areas

[2] One troy ounce equals 31.103 grams. The market price is the afternoon price fixed in London on the last business day of each period.

Table I.2. Share of National Currencies in Total Identified
Official Holdings of Foreign Exchange, End of Year[1]
(In percent)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
All countries										
U.S. dollar	69.4	71.0	71.1	71.5	67.1	65.9	65.9	66.9	65.5	63.9
Japanese yen	6.2	6.4	6.1	5.0	4.4	3.9	3.8	3.6	3.1	2.9
Pound sterling	2.7	2.9	2.8	2.7	2.8	2.8	3.4	3.6	4.4	4.7
Swiss franc	0.3	0.2	0.3	0.3	0.4	0.2	0.2	0.1	0.2	0.2
Euro[2]	--	17.9	18.3	19.2	23.8	25.2	24.8	24.1	25.1	26.5
Deutsche mark	13.8	--	--	--	--	--	--	--	--	--
French franc	1.6	--	--	--	--	--	--	--	--	--
Netherlands guilder	0.3	--	--	--	--	--	--	--	--	--
ECUs[3]	1.2	--	--	--	--	--	--	--	--	--
Other currencies[4]	4.5	1.6	1.5	1.3	1.6	2.0	1.9	1.7	1.8	1.8
Industrial countries										
U.S. dollar	67.3	73.0	72.3	72.2	68.2	69.8	70.9	73.0	71.3	69.4
Japanese yen	6.8	6.6	6.3	5.5	4.3	3.8	3.5	3.4	3.5	3.1
Pound sterling	2.1	2.2	2.1	2.0	2.2	1.6	2.0	2.2	2.6	2.8
Swiss franc	0.2	0.1	0.3	0.3	0.6	0.2	0.1	0.1	0.2	0.2
Euro[2]	--	16.5	17.4	18.4	23.0	22.6	21.4	19.6	21.0	23.1
Deutsche mark	13.7	--	--	--	--	--	--	--	--	--
French franc	1.2	--	--	--	--	--	--	--	--	--
Netherlands guilder	0.2	--	--	--	--	--	--	--	--	--
ECUs[3]	2.3	--	--	--	--	--	--	--	--	--
Other currencies[4]	6.2	1.5	1.7	1.6	1.8	2.0	2.1	1.6	1.4	1.4
Developing countries										
U.S. dollar	71.7	68.8	69.9	70.8	65.9	62.0	61.0	61.7	61.2	60.7
Japanese yen	5.6	6.1	5.8	4.6	4.4	4.1	4.1	3.7	2.8	2.8
Pound sterling	3.2	3.6	3.5	3.4	3.5	4.0	4.8	4.8	5.7	5.8
Swiss franc	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Euro	--	19.4	19.3	20.0	24.6	27.8	28.3	27.8	28.1	28.4
Deutsche mark	13.9	--	--	--	--	--	--	--	--	--
French franc	2.1	--	--	--	--	--	--	--	--	--
Netherlands guilder	0.3	--	--	--	--	--	--	--	--	--
ECUs[3]	0.0	--	--	--	--	--	--	--	--	--
Other currencies[4]	2.6	1.7	1.3	1.0	1.3	2.0	1.6	1.8	2.1	2.1
Memorandum items:										
Unallocated Reserves[5]										
All countries	22.1	22.6	21.6	23.4	25.4	26.5	29.2	32.0	34.2	36.4
Industrial countries	1.2	0.7	0.4	0.1	0.3	0.2	0.2	0.3	0.3	0.3

Developing countries	36.7	37.8	36.1	38.1	40.7	42.1	45.1	46.3	47.4	47.5

Note: Components may not sum to total because of rounding. Country coverage changes marginally every year, but the changes were larger than usual in 2000 (narrower coverage).

[1] The currency shares are calculated for the reserves of member countries that report the currency composition of their foreign exchange reserves. The data include minimal estimation undertaken mainly for late reporters. Reserves for which currency composition is not reported are shown under "Unallocated Reserves."

[2] Not comparable with the combined share of euro legacy currencies in previous years because it excludes the euros received by euro area members when their previous holdings of other euro area members' legacy currencies were converted into euros on January 1, 1999.

[3] In the calculation of currency shares, the ecu is treated as a separate currency. Ecu reserves held by the monetary authorities existed in the form of claims on both the private sector and European Monetary Institute (EMI), which issued official ecus to European Union central banks through revolving swaps against the contribution of 20 percent of their gross gold holdings and U. S. dollar reserves. On December 31, 1998, the official ecus were unwound into gold and U. S. dollars; hence, the share of ecus at the end of 1998 was sharply lower than a year earlier. The remaining ecu holdings reported for 1998 consisted of ecus issued by the private sector, usually in the form of ecu deposits and bonds. On January 1, 1999, these holdings were automatically converted into euros.

[4] Foreign exchange reserves of IMF member countries and the sum of the reserves that are reported to be held in currencies other than those listed above.

[5] Foreign exchange reserves whose currency composition information is not submitted to the IMF, in percent of total official holdings of foreign exchange reserves.

Table 1.3. Currency Composition of Official Holdings of Foreign Exchange, End of year[1]
(In millions of SDRs)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
U.S. dollar									
Change in holdings	82,675	114,987	64,294	-7,043	100,295	139,702	203,234	111,854	203,190
Quantity change	66,810	75,190	33,568	63,034	184,942	190,061	103,447	182,428	280,630
Price Change	15,865	39,797	30,726	-70,077	-84,647	-50,358	99,787	-70,574	-77,440
Year-end value	713,860	828,847	893,140	886,097	986,392	1,126,095	1,329,329	1,441,183	1,644,373
Japanese yen									
Change in holdings	7,233	6,600	-7,658	-5,533	1,477	6,585	5,662	-3,368	7,248
Quantity change	-1,453	11,248	-963	-6,410	205	7,637	8,655	506	7,729
Price Change	8,686	-4,649	-6,695	877	1,271	-1,052	-2,993	-3,874	-481
Year-end value	64,071	70,671	63,013	57,480	58,956	65,541	71,203	67,835	75,083
Pound sterling									
Change in holdings	4,769	3,063	1,659	3,433	4,319	16,111	13,933	24,985	24,208
Quantity change	4,867	3,888	1,409	2,465	3,805	14,489	16,074	17,957	27,687
Price Change	-97	-826	249	968	514	1,622	-2,141	7,028	-3,480
Year-end value	29,018	32,080	33,739	37,172	41,491	57,602	71,535	96,520	120,727
Swiss franc									
Change in holdings	-698	826	342	1,901	-2,005	-530	54	880	369
Quantity change	-385	732	308	1,400	-2,106	-661	243	805	237
Price Change	-313	94	34	502	102	131	-189	75	131
Year-end value	2,311	3,136	3,479	5,380	3,375	2,845	2,899	3,779	4,148
Euro									
Change in holdings [2]	44,304	33,206	26,401	74,788	62,030	47,668	54,253	74,627	127,699
Quantity change	64,818	36,969	30,112	48,492	28,369	34,203	81,571	44,607	88,381
Price Change	-20,514	-3,762	-3,711	26,296	33,661	13,465	-27,318	30,021	39,318
Year-end value	179,926	213,132	239,533	314,321	376,350	424,018	478,271	552,899	680,598
Sum of the above [3]									
Change in holdings	138,284	158,681	85,037	67,546	166,116	209,536	277,136	208,978	362,714
Quantity change	134,657	128,027	64,434	108,981	215,216	245,728	209,991	246,303	404,664
Price Change	3,627	30,654	20,604	-41,434	-49,100	-36,192	67,145	-37,325	-41,951
Year-end value	989,186	1,147,866	1,232,904	1,300,450	1,466,566	1,676,102	1,953,238	2,162,216	2,524,929
Other Currencies									
Change in holdings	-24,700	1,347	-1,431	4,566	8,963	2,489	2,095	5,181	8,058
Year-end value	16,054	17,401	15,970	20,535	29,498	31,987	34,082	39,263	47,321
Total official holdings [4]									
Change in holdings	130,872	187,852	144,818	140,465	264,526	377,828	507,199	427,010	699,798

Year-end value	1,298,371	1,486,224	1,631,042	1,771,507	2,036,033	2,413,861	2,921,060	3,348,070	4,047,868

Note: Components may not sum to total because of rounding. Country usage changes marginally every year, but the changes were larger than usual in 2000 (narrower coverage).

[1] The currency composition of official foreign exchange reserves as reported by countries, including minimal estimation undertaken mainly for late reporters. Reserves for which currency compostion is not reported are shown under "Unallocated Reserves." Quantity changes are derived by multiplying the changes in official holdings of each currency from the end of one quarter to the next by the average of the two SDR prices of that currency prevailing at the corresponding dates. This procedure converts the change in the quantity of national currency from own units to SDR units of account. Subtracting the SDR value of the quantity change so derived from the quarterly change in the SDR value of foreign exchange held at the end of two successive quarters and cumulating these differences yields the effect of price changes over the years shown.

[2] Represents the change from end-1998 holdings of euro legacy currencies by official institutions outside the euro area.

[3] Each item represents the sum of the currencies above.

[4] Includes "Unallocated Reserves" whose currency composition could not be ascertained.

APPENDIX | **II**

Financial operations and transactions

Appendix-Table II.1 Arrangements approved during financial years ended April 30, 1999–2008

	Number of arrangements				Amounts committed under arrangements[1] (In millions of SDRs)			
Financial year	**Stand-By**	**EFF**	**PRGF**	**Total**	**Stand-By**	**EFF**	**PRGF**	**Total**
1999	5	4	10	19	14,325	14,090	998	29,413
2000	11	4	10	25	15,706	6,582	641	22,929
2001	11	1	14	26	13,093	–9	1,249	14,333
2002	9	—	9	18	39,439	—	1,848	41,287
2003	10	2	10	22	28,597	794	1,180	30,571
2004	5	—	10	15	14,519	—	967	15,486
2005	6	—	8	14	1,188	—	525	1,713
2006	5	1	7	13	8,336	9	129	8,474
2007	2	—	10	12	237	—	363	600
2008	3	1	4	8	556	343	434	1,333

EFF = Extended Fund Facility
PRGF = Poverty Reduction and Growth Facility
Note: Details may not add to totals because of rounding.
[1]Includes augmentations and reductions.

Appendix-Table II.2 Arrangements in effect as of April 30, 1999–2008

	Number of arrangements				Amounts committed under arrangements[1] (In millions of SDRs)			
Financial year	**Stand-By**	**EFF**	**PRGF**	**Total**	**Stand-By**	**EFF**	**PRGF**	**Total**
1999	9	12	35	56	32,747	11,401	4,186	48,334
2000	16	11	31	58	45,606	9,798	3,516	58,920
2001	17	8	37	62	34,906	8,697	3,298	46,901
2002	13	4	35	52	44,095	7,643	4,201	55,939
2003	15	3	36	54	42,807	4,432	4,450	51,689
2004	11	2	36	49	53,944	794	4,356	59,094
2005	10	2	31	43	11,992	794	2,878	15,664
2006	10	1	27	38	9,534	9	1,770	11,313
2007	6	1	29	36	7,864	9	1,664	9,537
2008	7	2	25	34	7,507	351	1,089	8,948

EFF = Extended Fund Facility
PRGF = Poverty Reduction and Growth Facility
Note: Details may not add to totals because of rounding.

Appendix-Table II.3 Summary of disbursements, repurchases, and repayments, financial years ended April 30, 1947–2008
(In millions of SDRs)

	Disbursements					Repurchases and repayments				
Financial year	Purchases[1]	Trust Fund loans	SAF loans	PRGF loans	Total	Repurchases	Trust Fund repayments	SAF/PRGF repayments	Total	Total Fund credit outstanding[2]
1948	606	—	—	—	606	—	—	—	—	133
1949	119	—	—	—	119	—	—	—	—	193
1950	52	—	—	—	52	24	—	—	24	204
1951	28	—	—	—	28	19	—	—	19	176
1952	46	—	—	—	46	37	—	—	37	214
1953	66	—	—	—	66	185	—	—	185	178
1954	231	—	—	—	231	145	—	—	145	132
1955	49	—	—	—	49	276	—	—	276	55
1956	39	—	—	—	39	272	—	—	272	72
1957	1,114	—	—	—	1,114	75	—	—	75	611
1958	666	—	—	—	666	87	—	—	87	1,027
1959	264	—	—	—	264	537	—	—	537	898
1960	166	—	—	—	166	522	—	—	522	330
1961	577	—	—	—	577	659	—	—	659	552
1962	2,243	—	—	—	2,243	1,260	—	—	1,260	1,023
1963	580	—	—	—	580	807	—	—	807	1,059
1964	626	—	—	—	626	380	—	—	380	952
1965	1,897	—	—	—	1,897	517	—	—	517	1,480
1966	2,817	—	—	—	2,817	406	—	—	406	3,039
1967	1,061	—	—	—	1,061	340	—	—	340	2,945
1968	1,348	—	—	—	1,348	1,116	—	—	1,116	2,463
1969	2,839	—	—	—	2,839	1,542	—	—	1,542	3,299
1970	2,996	—	—	—	2,996	1,671	—	—	1,671	4,020
1971	1,167	—	—	—	1,167	1,657	—	—	1,657	2,556
1972	2,028	—	—	—	2,028	3,122	—	—	3,122	840
1973	1,175	—	—	—	1,175	540	—	—	540	998
1974	1,058	—	—	—	1,058	672	—	—	672	1,085
1975	5,102	—	—	—	5,102	518	—	—	518	4,869
1976	6,591	—	—	—	6,591	960	—	—	960	9,760
1977	4,910	32	—	—	4,942	868	—	—	868	13,687
1978	2,503	268	—	—	2,771	4,485	—	—	4,485	12,366
1979	3,720	670	—	—	4,390	4,859	—	—	4,859	9,843
1980	2,433	962	—	—	3,395	3,776	—	—	3,776	9,967
1981	4,860	1,060	—	—	5,920	2,853	—	—	2,853	12,536
1982	8,041	—	—	—	8,041	2,010	—	—	2,010	17,793
1983	11,392	—	—	—	11,392	1,555	18	—	1,574	26,563
1984	11,518	—	—	—	11,518	2,018	111	—	2,129	34,603
1985	6,289	—	—	—	6,289	2,730	212	—	2,943	37,622
1986	4,101	—	—	—	4,101	4,289	413	—	4,702	36,877
1987	3,685	—	139	—	3,824	6,169	579	—	6,749	33,443

Appendix-Table II.3 *(concluded)*

Financial year	Disbursements: Purchases[1]	Trust Fund loans	SAF loans	PRGF loans	Total	Repurchases and repayments: Repurchases	Trust Fund repayments	SAF/PRGF repayments	Total	Total Fund credit outstanding[2]
1988	4,153	—	445	—	4,597	7,935	528	—	8,463	29,543
1989	2,541	—	290	264	3,095	6,258	447	—	6,705	25,520
1990	4,503	—	419	408	5,329	6,042	356	—	6,398	24,388
1991	6,955	—	84	491	7,530	5,440	168	—	5,608	25,603
1992	5,308	—	125	483	5,916	4,768	—	1	4,770	26,736
1993	8,465	—	20	573	9,058	4,083	—	36	4,119	28,496
1994	5,325	—	50	612	5,987	4,348	52	112	4,513	29,889
1995	10,615	—	14	573	11,202	3,984	4	244	4,231	36,837
1996	10,870	—	182	1,295	12,347	6,698	7	395	7,100	42,040
1997	4,939	—	—	705	5,644	6,668	5	524	7,196	40,488
1999	24,071	—	—	826	24,897	10,465	—	627	11,092	67,175
2000	6,377	—	—	513	6,890	22,993	—	634	23,627	50,370
2001	9,599	—	—	630	10,229	11,243	—	588	11,831	48,691
2002	29,194	—	—	952	30,146	19,207	—	769	19,976	58,699
2003	21,784	—	—	1,218	23,002	7,784	—	928	8,712	72,879
2004	17,830	—	—	865	18,695	21,638	—	890	22,528	69,031
2005	1,608	—	—	771	2,379	13,907	—	923	14,830	56,576
2006	2,156	—	—	403	2,559	32,783	—	3,208	35,991	23,144
2007	2,329	—	—	477	2,806	14,166	—	512	14,678	11,216
2008	1,468	—	—	484	1,952	2,905	—	419	3,324	9,844

SAF = Structural Adjustment Facility
PRGF = Poverty Reduction and Growth Facility
[1]Includes reserve tranche purchases.
[2]Excludes reserve tranche purchases; includes outstanding associated loans from the Saudi Fund for Development.

Appendix-Table II.4 Purchases and loans from the IMF, financial year ended April 30, 2008
(In millions of SDRs)

Member	Emergency assistance	Stand-By/ credit tranche	Extended Fund Facility	Total purchases	PRGF loans	Total purchases and loans
Afghanistan, Islamic Republic of	—	—	—	—	23	23
Albania	—	—	2	2	2	5
Armenia	—	—	—	—	7	7
Bangladesh	133	—	—	133	—	133
Benin	—	—	—	—	2	2
Burkina Faso	—	—	—	—	4	4
Burundi	—	—	—	—	7	7
Cameroon	—	—	—	—	5	5
Central African Republic	—	—	—	—	3	3
Côte d'Ivoire	81	—	—	81	—	81
Dominica	2	—	—	2	—	2
Dominican Republic	—	154	—	154	—	154
Gambia, The	—	—	—	—	4	4
Georgia	—	—	—	—	14	14
Guinea	—	—	—	—	7	7
Guinea Bissau	2	—	—	2	—	2
Haiti	—	—	—	—	15	15
Kenya	—	—	—	—	38	38
Kyrgyz Republic	—	—	—	—	3	3
Liberia	—	—	343	343	207	550
Madagascar	—	—	—	—	16	16
Malawi	—	—	—	—	11	11
Mali	—	—	—	—	1	1
Mauritania	—	—	—	—	2	2
Moldova	—	—	—	—	33	33
Mozambique	—	—	—	—	2	2
Nepal	—	—	—	—	21	21
Nicaragua	—	—	—	—	12	12
Niger	—	—	—	—	2	2
Rwanda	—	—	—	—	2	2
São Tomé and Príncipe	—	—	—	—	1	1
Togo	—	—	—	—	13	13
Turkey	—	749	—	749	—	749
Zambia	—	—	—	—	28	28
Total	**218**	**904**	**346**	**1,468**	**484**	**1,952**

PRGF = Poverty Reduction and Growth Facility
Note: Details may not add to totals because of rounding.

Appendix-Table II.5 Repurchases and repayments to the IMF,
financial year ended April 30, 2008
(In millions of SDRs)

Member	Stand-By/ credit tranche[1]	Extended Fund Facility[1]	Other[2]	Total repurchases	PRGF repayments[3]	Total repurchases and repayments
Albania	—	—	—	—	9	9
Armenia	—	—	—	—	17	17
Azerbaijan	—	6	—	6	13	20
Bosnia and Herzegovina	9	—	—	9	—	9
Bolivia	10	—	—	10	—	10
Cape Verde	—	—	—	—	0[4]	0[4]
Central African Republic	—	—	—	—	5	5
Chad	—	—	—	—	10	10
Congo, Dem. Rep. of	—	—	—	—	42	42
Côte d'Ivoire[*]	—	—	—	—	36	36
Djibouti	—	—	—	—	2	2
Dominica	1	—	—	1	—	1
Dominican Republic	94	—	—	94	—	94
Gabon	21	1	—	22	—	22
Gambia, The[5]	—	—	—	—	11	11
Georgia	—	—	—	—	23	23
Grenada	—	—	1	1	—	1
Guinea	—	—	—	—	13	13
Guinea-Bissau	—	—	—	—	2	2
Iraq	—	—	297	297	—	297
Jordan	—	46	—	46	—	46
Kenya	—	—	—	—	7	7
Kyrgyz Republic	—	—	—	—	16	16
Lao People's Democratic Republic	—	—	—	—	2	2
Lesotho	—	—	—	—	2	2
Liberia	165	—	35	200	23	223
Macedonia, FYR	26	1	—	26	6	32
Moldova	—	10	—	10	5	14
Mongolia	—	—	—	—	4	4
Pakistan	—	16	—	16	96	112
Panama	—	7	—	7	—	7
Romania	28	—	—	28	—	28
São Tomé and Príncipe	—	—	—	—	1	1
Sri Lanka	—	7	—	7	—	7
Sudan	15	11	5	31	—	31

Appendix-Table II.5 *(concluded)*

Member	Stand-By/ credit tranche[1]	Extended Fund Facility[1]	Other[2]	Total repurchases	PRGF repayments[3]	Total repurchases and repayments
Togo	—	—	—	—	3	3
Turkey	1,806	—	—	1,806	—	1,806
Ukraine	—	279	—	279	—	279
Vietnam	—	—	—	—	21	21
Yemen, Republic of	—	9	—	9	48	57
Zimbabwe	—	—	—	—	1	1
Total	**2,175**	**392**	**338**	**2,905**	**419**	**3,324**

Note: Details may not add to totals because of rounding.
[1]Includes repayment of borrowed resources.
[2]Includes Compensatory Financing Facility, Natural Disaster Emergency Assistance, and Post-Conflict Emergency Assistance.
[3]Includes Trust Fund repayment for Liberia.
[4]Zero denotes amount less than SDR 1 million.
[5]Includes MDRI debt relief.

Appendix-Table II.6 Outstanding IMF credit by facility and policy, financial years ended April 30, 1999–2008
(*In millions of SDRs and percent of total*)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
					(In millions of SDRs)					
Stand-By Arrangements[1]	25,213	21,410	17,101	28,612	34,241	42,100	35,818	11,666	6,522	5,171
Extended Arrangements	16,574	16,808	16,108	15,538	14,981	13,751	9,365	7,477	734	687
Supplemental Reserve Facility	12,655	—	4,085	5,875	15,700	6,028	4,569	—	—	—
Compensatory and Financing Facility	2,845	3,032	2,992	745	413	120	84	84	78	38
Systemic Transformation Facility	3,364	2,718	1,933	1,311	644	154	18	—	—	—
Subtotal (GRA)	**60,651**	**43,968**	**42,219**	**52,081**	**65,978**	**62,153**	**49,854**	**19,227**	**7,334**	**5,896**
SAF Arrangements	565	456	432	341	137	86	45	9	9	9
PRGF Arrangements[2]	5,870	5,857	5,951	6,188	6,676	6,703	6,588	3,819	3,785	3,873
Trust Fund	89	89	89	89	89	89	89	89	89	66
Total	**67,175**	**50,370**	**48,691**	**58,699**	**72,879**	**69,031**	**56,576**	**23,144**	**11,216**	**9,844**
Stand-By Arrangements[1]	38	43	35	49	47	61	63	50	58	53
Extended Arrangements	25	33	33	26	21	20	17	33	7	7
Supplemental Reserve Facility	19	—	9	10	21	9	8	—	—	—
Compensatory and Financing Facility	4	6	6	1	1	—[3]	—[3]	—[3]	1	—
Systemic Transformation Facility	5	5	4	2	1	—[3]	—[3]	—[3]	—	—
Subtotal (GRA)	**90**	**87**	**87**	**88**	**91**	**90**	**88**	**83**	**65**	**60**
SAF Arrangements	1	1	1	1	—[3]	—[3]	—[3]	—[3]	—[3]	—[3]
PRGF Arrangements[2]	9	12	12	11	9	10	12	17	34	39
Trust Fund	—[3]	—[3]	—[3]	—[3]	—[3]	—[3]	—[3]	—[3]	1	1
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Note: Details may not add to totals because of rounding.
[1]Includes outstanding credit tranche and emergency purchases.
[2]Includes outstanding associated loans from the Saudi Fund for Development.
[3]Less than ½ of 1 percent of total.

Appendix-Table II.7 Holdings of SDRs by all participants and by groups of countries as percent of their cumulative allocations of SDRs, at end of financial years ended April 30, 1999–2008

			Nonindustrial countries[2]			
					Net debtor countries	
	All participants[1]	Industrial countries[2]	All nonindustrial countries	Net creditor countries[3]	All net debtor countries[3]	Heavily indebted poor countries
1999	81.1	94.6	52.5	170.7	46.3	26.3
2000	84.6	95.0	62.5	174.1	56.6	20.6
2001	86.6	101.6	54.6	204.2	46.5	12.4
2002	91.5	107.7	56.9	227.9	44.7	14.6
2003	93.0	102.4	72.0	173.7	57.7	17.1
2004	96.3	105.6	76.3	230.5	23.5	20.9
2005	96.2	96.3	96.0	178.7	33.0	17.7
2006	81.8	85.3	74.3	233.7	20.2	10.4
2007	86.0	92.3	72.4	198.7	11.4	8.6
2008	86.7	92.5	74.2	197.1	13.8	5.5

Note: Details may not add to totals because of rounding.
[1]Consists of member countries that are participants in the SDR Department. At the end of FY2008, of the total SDRs allocated to participants in the SDR Department (SDR 21.4 billion), SDR 2.9 billion was not held by participants, but instead by the IMF and prescribed holders.
[2]Based on IFS classification (International Monetary Fund, *International Financial Statistics*, various years).
[3]Net creditor countries' holdings of SDRs exceed their cumulative allocations of SDRs. Net debtor countries' holdings of SDRs are less than their cumulative allocations of SDRs.

Appendix-Table II.8 Members that have accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement

Member	Effective date of acceptance	Member	Effective date of acceptance
Algeria	September 15, 1997	France	February 15, 1961
Antigua and Barbuda	November 22, 1983	Gabon	June 1, 1996
Argentina	May 14, 1968	Gambia, The	January 21, 1993
Armenia	May 29, 1997	Georgia	December 20, 1996
Australia	July 1, 1965	Germany	February 15, 1961
Austria	August 1, 1962	Ghana	February 21, 1994
Azerbaijan	November 30, 2004	Greece	July 7, 1992
Bahamas, The	December 5, 1973	Grenada	January 24, 1994
Bahrain	March 20, 1973	Guatemala	January 27, 1947
Bangladesh	April 11, 1994	Guinea	November 17, 1995
Barbados	November 3, 1993	Guinea-Bissau	January 1, 1997
Belarus	November 5, 2001	Guyana	December 27, 1966
Belgium	February 15, 1961	Haiti	December 22, 1953
Belize	June 14, 1983	Honduras	July 1, 1950
Benin	June 1, 1996	Hungary	January 1, 1996
Bolivia	June 5, 1967	Iceland	September 19, 1983
Botswana	November 17, 1995	India	August 20, 1994
Brazil	November 30, 1999	Indonesia	May 7, 1988
Brunei Darussalam	October 10, 1995	Iran, Islamic Republic of	September 6, 2004
Bulgaria	September 24, 1998	Ireland	February 15, 1961
Burkina Faso	June 1, 1996	Israel	September 21, 1993
Cambodia	January 1, 2002	Italy	February 15, 1961
Cameroon	June 1, 1996	Jamaica	February 22, 1963
Canada	March 25, 1952	Japan	April 1, 1964
Cape Verde	July 1, 2004	Jordan	February 20, 1995
Central African Republic	June 1, 1996	Kazakhstan	July 16, 1996
Chad	June 1, 1996	Kenya	June 30, 1994
Chile	July 27, 1977	Kiribati	August 22, 1986
China	December 1, 1996	Korea, Republic of	November 1, 1988
Colombia	August 1, 2004	Kuwait	April 5, 1963
Comoros	June 1, 1996	Kyrgyz Republic	March 29, 1995
Congo, Dem. Rep. of	February 10, 2003	Latvia	June 10, 1994
Congo, Rep. of	June 1, 1996	Lebanon	July 1, 1993
Costa Rica	February 1, 1965	Lesotho	March 5, 1997
Côte d'Ivoire	June 1, 1996	Libya	June 21, 2003
Croatia	May 29, 1995	Lithuania	May 3, 1994
Cyprus	January 9, 1991	Luxembourg	February 15, 1961
Czech Republic	October 1, 1995	Macedonia, FYR	June 19, 1998
Denmark	May 1, 1967	Madagascar	September 18, 1996
Djibouti	September 19, 1980	Malawi	December 7, 1995
Dominica	December 13, 1979	Malaysia	November 11, 1968
Dominican Republic	August 1, 1953	Mali	June 1, 1996
Ecuador	August 31, 1970	Malta	November 30, 1994
Egypt	January 2, 2005	Marshall Islands	May 21, 1992
El Salvador	November 6, 1946	Mauritania	July 19, 1999
Equatorial Guinea	June 1,1996	Mauritius	September 29, 1993
Estonia	August 15, 1994	Mexico	November 12, 1946
Fiji	August 4, 1972	Micronesia, Federated	
Finland	September 25, 1979	States of	June 24, 1993

Appendix-Table II.8 ***(concluded)***

Member	Effective date of acceptance	Member	Effective date of acceptance
Moldova	June 30, 1995	Singapore	November 9, 1968
Mongolia	February 1, 1996	Slovak Republic	October 1, 1995
Montenegro	January 18, 2007	Slovenia	September 1, 1995
Morocco	January 21, 1993	Solomon Islands	July 24, 1979
Namibia	September 20, 1996	South Africa	September 15, 1973
Nepal	May 30, 1994	Spain	July 15, 1986
Netherlands	February 15, 1961	Sri Lanka	March 15, 1994
New Zealand	August 5, 1982	Sudan	October 29, 2003
Nicaragua	July 20, 1964	Suriname	June 29, 1978
Niger	June 1, 1996	Swaziland	December 11, 1989
Norway	May 11, 1967	Sweden	February 15, 1961
Oman	June 19, 1974	Switzerland	May 29, 1992
Pakistan	July 1, 1994	Tajikistan	December 9, 2004
Palau	December 16, 1997	Tanzania	July 15, 1996
Panama	November 26, 1946	Thailand	May 4, 1990
Papua New Guinea	December 4, 1975	Timor-Leste	July 23, 2002
Paraguay	August 22, 1994	Togo	June 1, 1996
Peru	February 15, 1961	Tonga	March 22, 1991
Philippines	September 8, 1995	Trinidad and Tobago	December 13, 1993
Poland	June 1, 1995	Tunisia	January 6, 1993
Portugal	September 12, 1988	Turkey	March 22, 1990
Qatar	June 4, 1973	Uganda	April 5, 1994
Romania	March 25, 1998	Ukraine	September 24, 1996
Russian Federation	June 1, 1996	United Arab Emirates	February 13, 1974
Rwanda	December 10, 1998	United Kingdom	February 15, 1961
St. Kitts and Nevis	December 3, 1984	United States	December 10, 1946
St. Lucia	May 30, 1980	Uruguay	May 2, 1980
St. Vincent and the Grenadines	August 24, 1981	Uzbekistan	October 15, 2003
		Vanuatu	December 1, 1982
Samoa	October 6, 1994	República Bolivariana de Venezuela	July 1, 1976
San Marino	September 23, 1992		
Saudi Arabia	March 22, 1961	Vietnam	November 8, 2005
Senegal	June 1, 1996	Yemen, Republic of	December 10, 1996
Serbia	May 15, 2002	Zambia	April 19, 2002
Seychelles	January 3, 1978	Zimbabwe	February 3, 1995
Sierra Leone	December 14, 1995		

APPENDIX | **III**

Press communiqués of the IMFC and the Development Committee

FOR IMMEDIATE RELEASE

DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

1818 H Street, N.W., Washington, D.C. 20433
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Washington, DC, October 21, 2007

DEVELOPMENT COMMITTEE COMMUNIQUÉ

1. We met today in Washington, DC on Sunday, October 21, 2007.

2. We welcomed the opportunity to discuss the future strategic direction of the World Bank Group, and thanked the President for his presentation. We recognized the potential of the goal of inclusive and sustainable globalization to guide the Bank mission of promoting economic growth and reducing poverty, including helping countries attain the Millennium Development Goals (MDGs). We welcomed the President's commitment to develop and refine the strategic framework in a consultative manner under the guidance of the Bank Board, and looked forward to reviewing progress at our next meeting. We emphasized the importance of efforts to strengthen synergy among the Bank Group institutions, building upon their respective areas of competence.

3. We agreed that strengthened support for the inclusion and empowerment of the poorest in development, especially in Sub-Saharan Africa, and for active engagement by the Bank Group in fragile and conflict-affected states, must be key elements in the strategic framework. We also noted that gender equality and women's rights are crucial for sustainable

poverty reduction. The Bank Group must also ensure its continued relevance to the needs and demands of Middle Income Country members. We welcomed progress in implementing the framework for partnership with IBRD clients, and the recent simplification and reduction in IBRD pricing. We urged the Bank to make further progress in reducing the non-financial cost of doing business, including enhancing the use of country systems where appropriate.

4. We welcomed the report on the Bank Group's role in Global Public Goods (GPGs) and its emphasis on integrating the GPG agenda into country-owned programs at country and regional levels. We stressed the importance of the Bank responding to global challenges, while exercising selectivity, focusing on its comparative advantage, filling institutional gaps and cooperating closely with other international institutions. We underlined the importance of innovative financing mechanisms. We also encouraged the Bank to further strengthen its work as a knowledge-broker on development policy.

5. We welcomed the recent adoption of strategies on health and the financial sector. We emphasized the importance of successful implementation of the governance and anti-corruption strategy.

6. We welcomed the progress made by many low-income countries in strengthening development strategies and implementing policy and institutional reforms, and noted that many countries have enhanced their capacity to absorb larger amounts of aid productively. We emphasized the need to sharpen the focus of poverty reduction strategies on stronger, shared, private sector- led growth, to link these strategies better to budgetary frameworks, and to implement them effectively. We reaffirmed the importance of the country-based model, founded on strong country ownership, which is crucial for improving aid effectiveness and harmonization.

7. We called on donors to meet their respective commitments to scale up aid for development, improve aid predictability and address financing gaps for meeting the MDGs. We reiterated our call to those donors who have not done so to make concrete efforts towards the target of 0.7% of gross national income as Official Development Assistance in accordance with their commitments. We noted that emerging new donors and creditors bring much-needed resources and development knowledge, while underscoring that the effectiveness of these resources will depend on their alignment with country priorities, as well as creditors' commitment to the debt sustainability framework. We encouraged wider implementation of the Results, Resources, and Partnership approach. We underlined the need for a strong IDA15 replenishment to enable IDA to play its crucial platform role in the evolving aid architecture. We welcomed the very substantial contribution to IDA from IBRD and IFC earnings, and the proposed enhanced collaboration between IFC and IDA on private sector development.

8. We noted that global economic growth remains strong and the direct impact of recent financial market turbulence on developing countries has been limited. We urged governments to continue implementing policies supporting economic resilience, and urged the Bank and the Fund to support and monitor those efforts.

9. We welcomed progress in implementing the Bank's Clean Energy Investment Framework. We recognized the critical importance of energy access for growth. We asked the Bank Group to increase its support for access to modern, cost-effective, clean energy, especially among the poorest and in Sub-Saharan Africa. We also called for expanded work on energy efficiency and renewable energy, and facilitation of the development and dissemination of related knowledge and technology.

10. Bearing in mind the scale of the challenge of addressing the causes and impacts of climate change, we called on Bank management to develop a strategic framework for Bank

Group engagement, including support for developing countries' efforts to adapt to climate change and to achieve low-carbon growth while reducing poverty. In this connection, we urged the Bank Group to enhance cooperation and harmonization with other development partners, based on comparative advantages, and to help catalyze substantial additional resources from both public and private sources, including concessional finance as appropriate (e.g., Global Environment Facility). We welcomed the focus on environmental sustainability in the 2008 Global Monitoring Report.

11. We noted the progress in implementing the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), and stressed the need for all creditors to participate on an equitable basis, including non-Paris club and commercial creditors. We stressed the importance of providing dollar for dollar compensation for lost credit reflows due to the MDRI and HIPC initiatives, as agreed. We observed that, improved debt burden indicators notwithstanding, the risk of debt distress in many HIPCs remains a challenge to their long-term debt sustainability. In this regard, we emphasized the importance of sound lending and borrowing decisions guided by the Bank-Fund Joint Debt Sustainability Framework (DSF), and the strengthening of public debt management, for preventing unsustainable accumulation of debt by HIPCs. We welcomed the efforts of the OECD Export Credit Group to develop sustainable lending guidelines embodying the DSF.

12. We reiterated our strong support for intensified efforts to agree on an ambitious pro-development Doha Round. We stressed the need to integrate trade and competitiveness within national development strategies, while stepping up support for Aid for Trade, as proposed by the Bank and Fund.

13. We welcomed the Options Paper on Voice and Participation. We recognized that further consultations among shareholders will be necessary to reach a political consensus on a comprehensive package and look forward to a timely report on the progress achieved.

14. We are encouraged that the World Bank Board, together with management, is continuing to review and reform key aspects of the Bank's governance.

15. We took note of the Joint Management Action Plan prepared by the World Bank and the Fund as a follow up to the report of the External Review Committee on Bank-Fund Collaboration.

16. We welcomed Robert B. Zoellick on his appointment as World Bank President and look forward to working with him. We thanked Paul Wolfowitz for his contribution to the work of the World Bank. We expressed our deep appreciation for the leadership of Rodrigo de Rato at the IMF, and welcomed the selection of Dominique Strauss-Kahn as his successor.

The Committee's next meeting is scheduled for April 13, 2008 in Washington, DC.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 07/236
FOR IMMEDIATE RELEASE
October 20, 2007

International Monetary Fund
Washington, D.C. 20431 USA

Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

1. The International Monetary and Financial Committee held its sixteenth meeting in Washington, D.C. on October 20, 2007 under the Chairmanship of Mr. Tommaso Padoa-Schioppa, the Minister of Economy and Finance of Italy. The Committee welcomes Mr. Padoa-Schioppa, the new IMFC Chairman; it expresses its deep gratitude to Mr. Gordon Brown for his invaluable contributions to the work of the Committee and the Fund throughout the eight years of his Chairmanship of the Committee, and extends its best wishes.

The Global Economy and Financial Markets—Outlook, Risks, and Policy Responses

2. The Committee welcomes the strong global growth in the first half of 2007. It notes that the global economy continues to be underpinned by strong fundamentals and the robust growth of emerging market and other developing economies. Recent disturbances in financial markets in advanced economies are expected to have a moderating effect on growth in the near term, and downside risks to the outlook have increased. The Committee underscores the importance of sound macroeconomic policies in the medium term and continued vigilance to maintain well-functioning financial markets and to strengthen the foundations for sustained high growth. The Committee notes with satisfaction the resilience of emerging market and other developing economies in the face of recent financial market turbulence.

3. Central banks in advanced economies have been playing a critical role in ensuring the smooth functioning of money markets by providing necessary liquidity while remaining watchful that financial markets continue to operate effectively. At the same time, monetary policy should focus on achieving price stability while continuing to assess carefully the inflation outlook, taking into account both the inflationary pressures stemming from tight commodity markets and rising oil and food prices, and downside risks to growth.

4. Ministers and central bank governors had a useful discussion today on the lessons emerging from the current episode of financial market turbulence, and are committed to continuing to work together, including multilaterally, to analyze the nature of the disturbances and consider lessons to be learned and actions needed to prevent further turbulence. The Committee agrees that financial innovation and securitization, while having contributed to enhanced risk diversification and improved market efficiency, have also created some new challenges that need to be properly addressed.

5. The Committee stresses that national authorities, standard-setting bodies, the Financial Stability Forum, the Bank for International Settlements, and the IMF, working together in line with their respective mandates, have complementary roles to play in analyzing financial stability issues, helping to identify and address information gaps and providing fora for discussions and actions. Areas to be addressed include: risk management practices related to complex structured products; valuation and accounting for off-balance sheet instruments, especially in times of stress; clarifying the treatment of complex products by ratings agencies; addressing basic principles of prudential oversight for regulated financial entities; and liquidity management. The Committee will take stock of the work undertaken at its next meeting.

6. The Committee welcomes the progress being made in prioritizing financial sector issues in the IMF's work. It calls for continued efforts to broaden and deepen the IMF's financial expertise to identify future issues, and to better integrate the findings of the IMF's multilateral surveillance in its regional and bilateral surveillance. The Committee also notes the growing importance of Sovereign Wealth Funds in international financial markets. While recognizing their positive role in enhancing market liquidity and financial resource allocation, the Committee welcomes the work by the IMF to analyze issues for investors and recipients of such flows, including a dialogue on identifying best practices. It stresses the importance of resisting protectionism and maintaining an open global financial system.

7. The Committee underlines the importance of further action to strengthen the foundations for sustained high growth over the medium term. Many countries need to pursue ambitious medium-term fiscal consolidation plans to address pressures on social spending arising from population aging. Structural reforms to take full advantage of the opportunities provided by globalization and technological advances should include further liberalization of service sectors in advanced economies, as well as further actions to improve infrastructure and the business environment and develop a sound financial sector in emerging market and other developing countries. To address growing income disparities, the Committee stresses the importance of strengthening education, creating jobs in the most dynamic sectors, pursuing well-designed tax policies, and providing adequate safety nets. Further trade opening, improved access to markets, and fulfillment of aid commitments by donors will be key to sustaining their robust growth performance.

8. The Committee calls for sustained implementation of the policy plans reaffirmed at the Spring 2007 IMFC meeting by the participants in the multilateral consultation on global imbalances. It reiterates that an orderly unwinding of global imbalances, while sustaining global growth, is a shared responsibility involving: steps to boost national saving in the United States, including continued fiscal consolidation; further progress on growth-enhancing reforms in Europe; further structural reforms and fiscal consolidation in Japan; reforms to boost domestic demand in emerging Asia, together with greater exchange rate flexibility in a number of surplus countries; and increased spending consistent with absorptive capacity and macroeconomic stability in oil-producing countries.

9. The Committee expresses concern with the continued lack of progress with the Doha multilateral trade round, and urges WTO members to work toward a prompt and ambitious conclusion of the Doha Round trade negotiations launched in 2001 as a development round.

Implementation of the IMF's Medium-Term Strategy: Priorities Ahead

10. The Committee stresses the critical importance of the implementation of the program of quota and voice reforms adopted by the Board of Governors in Singapore. The Committee welcomes the report of the Executive Board to the Board of Governors, takes note of the progress made on several elements of the program, and urges the Executive Board to continue working to achieve an agreement within the timetable and objectives set forth in the Singapore Resolution. In particular, the Committee supports the inclusion of GDP in the new formula as the most important variable. It also considers that PPP-GDP should play a role, along with a compression factor. The Committee stresses that the total quota increase should be of the order of ten percent, with at least a doubling of basic votes. The Committee reiterates that the reform should enhance the representation of dynamic economies, many of which are emerging market economies, whose weight and role in the global economy have increased. An outcome of the second round of reforms should be a further increase in the voting share of emerging market and developing economies as a whole. The Committee also stresses the importance of enhancing the voice and representation of low-income countries. The Committee encourages the Executive Board to continue its work in order to allow agreement on all the elements of the package by Spring 2008.

11. The Committee recognizes the need for more predictable and stable sources of Fund income to finance its diverse activities. It welcomes the progress made in developing operational guidelines to implement the recommendations of the Committee of Eminent Persons chaired by Mr. Andrew Crockett. The Committee notes that both income and expenditure will need to contribute to putting the Fund's finances on a sustainable footing. While welcoming the Fund's ongoing efforts to reduce administrative expenditures, the Committee sees the need for greater efficiency and saving through Fund-wide priority setting. This should be achieved within a new medium-term budget envelope, while preserving the effectiveness of the Fund in fulfilling its core mandate. The Committee therefore calls on the Executive Board to develop specific proposals on the new income model and the new expenditure framework by the time of the 2008 Spring meeting, and to agree on a new and detailed medium-term budgetary envelope for the FY 2009 budget that is consistent with the emerging income and expenditure framework.

12. The Committee welcomes the progress on strengthening IMF surveillance, including: the adoption of the Bilateral Surveillance Decision in June 2007; the agreement in principle on the adoption by the Executive Board of a statement of surveillance priorities in the context of the 2008 Triennial Surveillance Review, to guide the Fund's surveillance work and enhance accountability; and the ongoing integration of financial sector issues into macroeconomic analysis and bilateral surveillance. Evenhanded implementation of the new Decision is an essential element of the Medium-Term Strategy. The Committee looks forward to review the progress and experiences in these areas, as well as the upcoming review of experience with streamlined Article IV consultations.

13. The Committee supports the priority being given in the Fund's policy advice to emerging market economies in working with them on the timely identification of vulnerabilities, the strengthening of debt management practices and deepening of local capital markets, and the design of policy responses in the face of large capital inflows. The Committee notes the work undertaken in designing a new liquidity instrument to help countries' crisis prevention efforts, while providing adequate safeguards to Fund resources. While there has been support on key elements of such an instrument, concerns regarding potential demand for it and important design features still need to be resolved. The Committee calls on the Executive Board to continue its work on the instrument's design,

paying due regard to the interaction with existing IMF facilities and to the views of potential users. The Committee looks forward to the follow-up on the review of charges and maturities for Fund financial assistance, and to the review of the Fund's policy on lending into arrears.

14. The Committee welcomes the progress on clarifying the role of the Fund in low-income countries. This includes well-designed financial and policy support in the context of surveillance, Fund arrangements, and technical assistance. The Committee looks forward to a comprehensive operational framework, which will draw together the various strands of the Fund's work in low-income countries with a view to enhancing the focus and effectiveness of the Fund's engagement with these countries. The Committee stresses the importance of delivering aid for trade commitments and encourages ongoing initiatives by the WTO and other institutions to enhance aid for trade and improve its coordination and delivery. The Committee attaches high priority to helping countries reap the benefits of higher aid and debt relief, while avoiding a new build-up of unsustainable debt. The Committee welcomes recent initiatives to help low-income countries build on the debt sustainability framework to design medium-term debt strategies, as well as efforts to foster sustainable lending. It calls on all creditors and borrowers to use the framework as a key tool for adhering to responsible and transparent lending practices. The Committee urges full participation by all official bilateral and commercial creditors in the HIPC Initiative; it expresses concern about growing litigation against HIPCs, which presents a major challenge to the implementation of the Initiative. The Committee looks forward to urgent progress on financing assurances by member countries to allow Liberia to benefit from debt relief. The IMF is prepared to consider other similar cases in due course.

15. The Committee welcomes the Joint Management Action Plan on Bank-Fund collaboration, which will foster closer and more efficient cooperation and clear delineation of responsibilities between the Bank and the Fund, including in their work on low-income countries.

Other Issues

16. The Committee recommends members' acceptance of the Fourth Amendment of the Articles of Agreement for a special one-time allocation of SDRs.

17. The Committee values highly the contribution of the IEO to the learning culture of the IMF and to facilitating oversight and governance. It welcomes that the enhanced framework for implementing the IEO recommendations endorsed by the Executive Board is now fully operational.

18. The Committee pays tribute to Mr. Rodrigo de Rato for his skillful and strategic leadership as Managing Director of the International Monetary Fund. As architect of the Fund's Medium-Term Strategy, he has positioned the Fund well to meet the challenges of a rapidly evolving global economy. Mr. de Rato deepened the integration of financial sector issues in the Fund's work and launched a bold reform to strengthen the voice and representation of low-income and emerging market countries in the Fund. He brought clarity to the role of the Fund in its bilateral surveillance and successfully introduced the new multilateral consultation instrument. Mr. de Rato's persuasiveness in convincing the membership of the need for a new income model for the Fund has been instrumental in launching a strategic reflection on the Fund's income and expenditure that will help ensure the Fund's financial sustainability in the new international environment. The Committee wishes to express its thanks to Mr. de Rato for his dedication and vision, which have helped set the Fund on a strong and positive path to the future.

19. The Committee warmly welcomes the appointment of Mr. Dominique Strauss-Kahn as the new Managing Director, and looks forward to working closely with him in meeting the challenges ahead.

20. The next meeting of the IMFC will be held in Washington, D.C. on April 12, 2008.

International Monetary and Financial Committee Attendance

October 20, 2007

Chairman
Tommaso Padoa-Schioppa

Managing Director
Rodrigo de Rato

Members or Alternates
Ibrahim A. Al-Assaf, Minister of Finance, Saudi Arabia
Wouter Bos, Minister of Finance, Netherlands
Agustín Carstens, Secretary of Finance and Public Credit, Mexico
Palaniappan Chidambaram, Minister of Finance, India
David Parker, Executive Director, Macroeconomic Group, The Treasury, Australia
(Alternate for Peter Costello, Treasurer of the Commonwealth of Australia)
Alistair Darling, Chancellor of the Exchequer, United Kingdom
James Michael Flaherty, Minister of Finance, Canada
Jyrki Katainen, Minister of Finance, Finland
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank
(Alternate for Mohamed K. Khirbash, Minister of State for Finance and Industry, United Arab Emirates)
Aleksei Kudrin, Deputy Prime Minister and Minister of Finance, Russian Federation
Christine Lagarde, Minister of Economy, Finance and Employment, France
Mohammed Laksaci, Governor, Banque d'Algérie
Guido Mantega, Minister of Finance, Brazil
Hans-Rudolf Merz, Minister of Finance, Switzerland
Fukushiro Nukaga, Minister of Finance, Japan
Vittorio Grilli, Director-General, Department of the Treasury, Ministry of Economy and Finance, Italy
(Alternate for Tommaso Padoa-Schioppa, Minister of Economy and Finance, Italy)
Henry M. Paulson, Jr., Secretary of the Treasury, United States
Miguel Gustavo Peirano, Minister of Economy and Production, Argentina
Didier Reynders, Deputy Prime Minister and Minister of Finance, Belgium
Tharman Shanmugaratnam, Minister for Education and Second Minister for Finance, Singapore
Peer Steinbrück, Minister of Finance, Germany
Paul Toungui, Minister of State, Minister of Finance, Economy, Budget and Privatization, Gabon
Shamsuddeen Usman, Minister of Finance, Nigeria
Wu Xiaoliang, Deputy Governor, People's Bank of China
(Alternate for Zhou Xiaochuan, Governor, People's Bank of China)

Observers

Mohammad Alipour-Jeddi, Head, Petroleum Market Analysis Department,
Organization of the Petroleum Exporting Countries (OPEC)
Joaquín Almunia, Commissioner for Economic and Monetary Affairs,
European Commission (EC)
Mario Draghi, Chairman, Financial Stability Forum (FSF)
Angel Gurría, Secretary-General, Organisation for Economic Co-operation and
Development (OECD)
Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development
United Nations (UN)
Malcolm D. Knight, General Manager, Bank for International Settlements (BIS)
Pascal Lamy, Director-General, World Trade Organization (WTO)
Ugo Panizza, Senior Economic Affairs Officer, Division on Globalization and
Development Strategies, (UNCTAD)
Juan Somavía, Director-General, International Labour Organization (ILO)
Jean-Claude Trichet, President, European Central Bank (ECB)
Alejandro Werner, Deputy Chairman, Joint Development Committee (DC)
Robert B. Zoellick, President, World Bank Group

FOR IMMEDIATE RELEASE

DEVELOPMENT COMMITTEE

JOINT MINISTERIAL COMMITTEE
OF THE
BOARDS OF GOVERNORS OF THE BANK AND THE FUND
ON THE
TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

1818 H Street, N.W., Washington, D.C. 20433

Telephone: (202) 458-2980
Fax: (202) 522-1618

Washington, DC, April 13, 2008

DEVELOPMENT COMMITTEE COMMUNIQUÉ

1. We met in Washington, DC today, Sunday, April 13, 2008.

2. We endorsed the overall World Bank Group (WBG) objective of contributing to an inclusive and sustainable globalization—to overcome poverty, and enhance growth with care for the environment. We welcomed the process underway to develop further and refine a results-oriented strategic framework, and look forward to reviewing progress at our next meeting. In this regard, we look forward to the results of the strategic review of IBRD capital and progress on deploying capital more effectively for development impact. We also reiterated the importance of ongoing efforts to strengthen synergy among, and decentralization of, the WBG institutions. We gave special focus in our own discussions to the WBG's role in the poorest countries and in fragile situations and post-conflict states.

3. We reviewed progress toward the Millennium Development Goals (MDGs), as reflected in the fifth Global Monitoring Report. The world is on course for the goal of halving the percentage of people living in poverty, thanks to strong and sustained growth. Yet progress has been uneven across countries and sectors. Despite improved growth performance, most Sub-Saharan African countries are off track to meet the MDGs. Stronger, sustainable and more equitable growth remains central to more effective poverty reduction. We urged donors, including the WBG, to increase their support for the poorest countries' own development priorities. As the MDG midpoint, 2008 is a crucial year for generating the necessary momentum towards the MDGs.

4. Progress has been made on human development-related MDGs, but the risks of falling short are far greater than for the income poverty goal. We called for improving access to—and quality and effectiveness of—health and education services in low and middle income countries and for policy interventions to take into account the strong links between health and education outcomes, nutrition, water and sanitation, and environmental factors, e.g. pollution and climate change. The challenge of malnutrition is heightened by the rise in food prices. We welcomed the progress made so far under the WBG Gender Action Plan. We stressed the

need to treat the advancement of girls and women's economic empowerment as central development issues.

5. While the balance of risks to the global outlook has become more negative, emerging and developing economies have so far been less affected by financial market developments. The impact of higher commodity prices is mixed across countries depending on whether they are net importers or exporters. Within countries, large groups of poor people are severely affected by high food and energy prices across the developing world. We asked the WBG and the Fund to respond to developing countries' requests for advice on management of natural resource revenues, and to be ready to provide timely policy and financial support to vulnerable countries dealing with negative shocks including from energy and food prices. We welcomed the call by the World Bank President to the world community to combat hunger and malnutrition through a "New Deal for Global Food Policy," combining immediate assistance with medium and long-term efforts to boost agricultural productivity in developing countries. We urged donors to provide the needed assistance to the World Food Program to enable immediate support for countries most affected by the high food prices, and encouraged the WBG to strengthen its engagement in the agricultural sector.

6. Fragile situations and post conflict states pose special challenges. We asked the Bank, within its mandate, to promote better global understanding of fragility and conflict dynamics and of effective strategic and operational approaches. We emphasized the importance of strong WBG collaboration with international and local partners for effective economic support to peace-building transitions, institution building and governance reforms, progress towards MDGs and private sector development. A flexible approach, a stronger field presence by the Bank and innovative and timely technical and financial support will be crucial for success. Developing countries can also play a role in this respect through trade, regional integration and South-South cooperation.

7. Increased and more effective aid remains critical. We welcomed the successful IDA 15 replenishment which yielded an unprecedented 36% increase in donors' contribution and an overall envelope that will exceed $ 40 billion. We called for IDA to continue its crucial platform role in the evolving aid architecture. Many recipient countries have benefited from debt relief and improved the effectiveness with which they utilize ODA. Yet there are concerns that the growth path of overall aid volumes may not be consistent with existing commitments. We therefore agreed on the urgency of achieving international aid commitments, and called on those who have not done so to deliver on their commitments, including the doubling of aid to Sub-Saharan Africa by 2010. More needs to be done to implement the principles of aid effectiveness, including greater focus on results, embodied in the Paris Declaration. This is all the more important as the international aid architecture becomes increasingly diversified and complex, with more donors, the potential for increased volume as well as fragmentation of aid, and increased earmarking through vertical approaches. We recognized the role of South-South cooperation in leveraging resources and development knowledge. We called on all suppliers of development assistance to provide aid in line with the country-based model for improving the effectiveness and transparency of aid, as well as with the debt sustainability framework, which should be subject to regular review. We look forward to the Accra High Level Forum to advance this agenda.

8. We strongly support intensified and decisive efforts to agree on an ambitious pro-development Doha Round that improves access to markets. We stressed the need to integrate trade and competitiveness within national development strategies, while stepping up support for Aid for Trade, including assistance for countries' efforts to strengthen trade logistics and ensure competitive access to services, as these are central to improving poor countries' competitiveness and ability to benefit from trade opportunities.

9. Noting progress in implementing the WBG Middle Income Countries strategy, we welcomed recent changes and ongoing innovations in the WBG's financial and lending products. We urged the Bank to enhance the use of country systems where appropriate, and to make further progress in simplifying and reducing the non-financial cost of doing business without diluting essential environmental and social safeguards.

10. We welcomed the steady implementation of the WBG's Governance and Anticorruption Strategy. We look forward to full implementation of the Volcker Report recommendations to strengthen transparency and internal governance, project integrity, effectiveness against corruption, cooperation with partners, and learning from experience.

11. We welcomed the Concept and Issues Note on the Strategic Framework on Climate Change and Development for the WBG (SFCCD). We stressed the importance of the WBG addressing climate change issues, in the overall context of its core mission of promoting economic growth and poverty reduction. We also underscored the cross-cutting nature of climate change, which requires an integrated approach across many sectors. We acknowledged the important and catalytic role of the WBG in the financial architecture on climate change and its experience in carbon finance. We asked for the SFCCD to elaborate further on the additional financing needs for addressing climate change, the mobilization of private sector funding and the complementarities between existing and new financing mechanisms. We emphasized that financial resources for the climate change agenda must be additional to the present levels of ODA. Noting the primacy of the United Nations Framework Convention on Climate Change negotiation process, we also asked that the SFCCD further articulate the proposed role of the WBG under a division of labor vis-à-vis the UN, and other key international players, including the private sector. Recognizing that access to energy remains key to development, we supported WBG goals of promoting clean technology and renewable energy deployment, technology transfer, and research and development. We acknowledged the work underway on the design, governance, and financing of the new Climate Investment Funds, including the Clean Technology Fund, to address the challenge of climate change. We welcomed the ongoing consultative process for developing a client-oriented SFCCD and look forward to discussing it at our next meeting.

12. We welcomed the Managing Director's report on the reform of IMF quota and voice. We encouraged the Bank to advance work on all aspects of voice and participation, keeping in mind the distinct nature of the Bank's development mandate, and the importance of enhancing voice and participation for all developing and transition countries in the WBG. We look forward to a process that is inclusive and consultative among shareholders, and to receiving concrete options from the Bank's Board by our next meeting with a view to reaching consensus on a comprehensive package by the 2009 Spring meeting.

13. The Committee's next meeting is scheduled for October 12, 2008 in Washington, DC.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 08/78
FOR IMMEDIATE RELEASE
April 12, 2008

International Monetary Fund
Washington, D.C. 20431 USA

Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund

1. The International Monetary and Financial Committee held its seventeenth meeting in Washington, D.C. on April 12, 2008 under the Chairmanship of Mr. Tommaso Padoa-Schioppa, Minister of Economy and Finance of Italy.

2. The Committee met at a time of unusual uncertainties surrounding global economic and financial market prospects. It stresses that the challenges facing the world economy are of a global nature, requiring strong action and close cooperation among the membership. The Committee is confident that the key reforms recently agreed by the Fund's Executive Board, including the strategic refocusing of the Fund on its core mandate based on its comparative advantage, will strengthen the Fund's role in promoting global financial stability and international monetary cooperation and in serving its universal membership effectively at this critical juncture.

The Global Economy and Financial Markets—Outlook, Risks, and Policy Responses

3. The Committee notes that global financial instability has increased since its last meeting. World economic growth has slowed and growth prospects for 2008 and 2009 have deteriorated. Risks to the outlook come from the still unfolding events in financial markets and from the potential worsening of housing and credit cycles. Inflationary risks—notably from higher food, energy, and other commodity prices—have also risen. The Committee agrees that policymakers should continue to respond to the challenge of dealing with the financial crisis and supporting activity, while making sure that inflation is kept under control. While each country's situation is different, coherent action must be taken, taking due account of cross-border interactions.

4. In the advanced economies, monetary policy should continue to aim at medium-term price stability, while responding flexibly to signs of a more pronounced and prolonged economic downturn. Fiscal policy can also play a useful counter-cyclical role. In the United States, temporary fiscal easing will help to counter downside risks to growth. Other advanced economies have also experienced financial turbulence and their growth rates have declined; when consistent with medium-term fiscal objectives, automatic stabilizers should be allowed full play. Further progress should also be made on: safeguarding

medium-term fiscal consolidation in the United States; product and labor-market reforms in Europe; further structural reforms, including fiscal consolidation, in Japan; addressing supply bottlenecks in oil-exporting countries; and reforms to boost domestic consumption in emerging Asia, together with greater exchange rate flexibility in a number of surplus countries.

5. The Committee welcomes the actions taken by the central banks of the advanced economies to provide liquidity support to ease strains in interbank markets, and calls for continued vigilance to deal with the financial turmoil. Further prompt actions by large financial institutions to disclose losses and repair balance sheets by raising capital when needed and mobilizing medium-term funding will contribute to restoring confidence. The Committee sees the ongoing work in several fora aimed at managing and drawing lessons from the financial turmoil as a key step to strengthen the stability of the global financial system and to reinforce the supervisory and regulatory frameworks. In this context, it welcomes the Fund's work in these areas, notably the Global Financial Stability Report and the report prepared by the IMF on "The Recent Financial Turmoil—Initial Assessment, Policy Lessons, and Implications for Fund Surveillance." The Committee underscores that continued close Fund collaboration with the Financial Stability Forum (FSF), the Bank for International Settlements, standard-setting bodies, and national authorities will be essential to ensure that the lessons from the crisis are effectively shared and that agreed policy actions are rapidly implemented. In this context, the Committee welcomes the policy recommendations by the FSF and calls for their timely implementation; it also emphasizes the importance of strengthening the Fund's financial surveillance role, including through the Financial Sector Assessment Program, and its capability to identify risks in the future. The Committee will review further progress on these issues at its next meeting.

6. Emerging market and developing countries have so far continued to grow strongly and show resilience in the face of the ongoing financial crisis, though their growth prospects have moderated and inflation risks have increased. For many countries, containing inflation and addressing vulnerabilities remain key priorities. Other countries may have room to respond to a further worsening of the external environment by counter-cyclical monetary and fiscal policies without jeopardizing their stabilization gains. Commodity-exporting countries, exposed to the risk of significant swings in commodity prices, should maintain progress toward economic diversification. The Committee notes that a number of developing countries, especially low-income countries, face a sharp rise in food and energy prices, which have a particularly strong impact on the poorest segments of the population. The Committee urges the Fund to work closely with the World Bank and other partners in an integrated response through policy advice and financial support.

7. The Committee reiterates its strong support for a prompt and ambitious conclusion of the Doha Development Round of trade negotiations.

8. The Committee notes that Sovereign Wealth Funds (SWFs) are becoming increasingly important players in the international monetary and financial system, offering various economic and financial benefits, including a stabilizing influence on financial markets, but also posing several challenges for policymakers. The Committee welcomes the IMF's initiative to work, as facilitator and coordinator, with SWFs to develop a set of best practices by the 2008 Annual Meetings. It emphasizes that SWF best practices should be developed on a collaborative and voluntary basis, and go hand in hand with work in the OECD and elsewhere on best practices for countries receiving SWF investments. The Committee looks forward to reviewing the progress made on these fronts at its next meeting.

IMF Reforms and Policy Agenda

9. The Committee welcomes the agreement by the Executive Board on the package of quota and voice reforms as an important contribution to enhance the Fund's credibility and legitimacy, in line with the objectives set forth at the Annual Meetings in Singapore in 2006. The Committee looks forward to the approval of the quota and voice reforms by the Governors by April 28, 2008, as well as the early acceptance by the members of the proposed amendment of the Fund's Articles of Agreement to make the quota and voice reforms effective. The package of reforms is forward-looking in requesting that the Executive Board recommend further realignments of members' quota shares in the context of future general quota reviews, which take place every five years, to ensure that members' quota shares adequately reflect their relative positions in the world economy. These realignments are expected to result in increases in the quota shares of dynamic economies, and hence in the share of emerging market and developing countries as a whole. The Committee also looks forward to further work by the Executive Board on elements of the new quota formula that can be improved before the formula is used again.

10. The Committee endorses the agreement by the Executive Board on a new income model and a new medium-term budgetary envelope, which will contribute to placing the Fund on a sustainable financial footing. The new budgetary framework, which reduces net spending by 13½ percent in real terms over the next three years, and the new income model provide for a strengthened, integrated budget process to ensure lasting budget discipline and an allocation of resources reflecting the Fund's refocused strategic priorities. The Committee strongly recommends that the Governors give their full support to the new income model by approving the proposed amendment of the Fund's Articles by May 5, 2008. It calls on all members to work toward the early completion of the legislative steps required for making the new model effective, including the establishment of an endowment funded by the profits from a strictly limited sale of gold within the agreement of the central banks. By relying on broader and more sustainable income sources, the new model appropriately recognizes that many Fund activities provide a public good. The Committee endorses the safeguards adopted to ensure that the reimbursement of the Fund for the administrative expenses of the PRGF-ESF Trust does not result in insufficient concessional lending capacity of the Trust. The Committee looks forward to the introduction of comprehensive cost accounting of Fund activities. It encourages further work by the Executive Board on the design of investment policies under the Fund's expanded investment authority, with a passive investment approach that closely tracks widely used benchmark indices; the operationalization of the new framework for setting the basic rate of charge; the review of the role and adequacy of precautionary balances; the need for a dividend policy; and the completion of the review of charges and maturities on Fund facilities by the time of the 2008 Annual Meetings.

11. The Committee agrees that the principle of comparative advantage should underpin the refocusing and repositioning of the Fund's activities in all areas of its mandate.

12. Consistent with the 2007 Surveillance Decision, bilateral surveillance will remain at the core of the Fund's work, and an essential input into multilateral and regional surveillance. The Committee supports the efforts underway to sharpen the analysis of the financial sector, macro-financial linkages, exchange rates, and spillovers; deepen work on identifying and addressing risks to financial stability in close cooperation with other institutions; extend the Fund's vulnerability exercise to advanced economies; and better integrate global and cross-country perspectives into bilateral surveillance. It looks forward to

steps to make surveillance outputs better focused and more timely, while ensuring that the quality of bilateral surveillance is preserved. Key operational aspects in implementing the 2007 Surveillance Decision will be clarified at the Executive Board, and the upcoming Triennial Surveillance Review will address strategic issues related to refocusing surveillance. The Committee encourages the Executive Board to consider a first statement of surveillance objectives and priorities prior to the next Annual Meetings.

13. The Fund's closer interaction with emerging market economies will focus on the specific challenges that they face from global financial integration, cross-border linkages, and volatile capital flows. Recognizing that the emerging market and developing countries are not immune to a broadening of the problems in financial markets, the Committee encourages the Executive Board to consider increasing the level of normal access to Fund resources and to continue its work on an appropriate crisis prevention financial line. It notes the Managing Director's decision to bring these matters promptly to the Executive Board's attention. The Committee looks forward to reviewing the progress achieved at its next meeting.

14. The Committee supports continued close engagement by the Fund with its low-income members. This will be achieved by focusing the Fund's work on macroeconomic and financial stability issues and helping low-income countries tackle the challenges of debt sustainability, capital inflows, and commodity price swings. Work will also continue on possible improvements in the Fund's engagement with countries suffering from shocks affecting their balance of payments, including through the Exogenous Shocks Facility and other existing facilities; in fragile situations; and emerging from conflict. Efficiency gains will come from closer and more efficient cooperation and a clear delineation of responsibilities between the Fund and the World Bank, as well as from a streamlining of operations and procedures. The Committee calls on the Fund to provide a structured way of approaching donors regarding funding requests and encourages members to provide additional financial contributions to ensure that the Fund can continue to subsidize emergency assistance and capacity building to its low-income members.

15. The Committee agrees that Fund technical assistance and training should continue to play a key role in supporting members' capacity building efforts in the areas of the Fund's core mandate. It looks forward to steps that will increase the effectiveness of technical assistance in a resource-constrained environment with greater prioritization and a stronger result-focus, including through consideration of a system of graduated charges. The Committee also supports initiatives to promote external financing for the provision of Fund technical assistance and training.

Other Issues

16. The Committee recommends members' acceptance of the amendment of the Articles of Agreement for a special one-time allocation of SDRs.

17. The next meeting of the IMFC will be held in Washington, D.C. on October 11, 2008.

International Monetary and Financial Committee Attendance

April 12, 2008

Chairman
Tommaso Padoa-Schioppa

Managing Director
Dominique Strauss-Kahn

Members or Alternates
Ibrahim A. Al-Assaf, Minister of Finance, Saudi Arabia
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank
(Alternate for Obaid Humaid Al Tayer, Minister of State for Financial Affairs, United Arab Emirates)
Anders Borg, Minister of Finance, Sweden
Wouter Bos, Minister of Finance, Netherlands
Palaniappan Chidambaram, Minister of Finance, India
Alistair Darling, Chancellor of the Exchequer, United Kingdom
James Michael Flaherty, Minister of Finance, Canada
José Félix Rivas-Alvarado, Director, Board of Directors, Central Bank of Venezuela
Alternate for Rafael Isea, Minister of Finance, República Bolivariana de Venezuela)
Aleksei Kudrin, Deputy Prime Minister and Minister of Finance, Russian Federation
Christine Lagarde, Minister of Economy, Finance and Employment, France
Mohammed Laksaci, Governor, Banque d'Algérie
Martín Lousteau, Minister of Economy and Production, Argentina
Guido Mantega, Minister of Finance, Brazil
Tito Mboweni, Governor, South African Reserve Bank
Hans-Rudolf Merz, Minister of Finance, Switzerland
Masaaki Shirakawa, Governor, Bank of Japan
Alternate for Fukushiro Nukaga, Minister of Finance, Japan)
Vittorio Grilli, Director-General, Department of the Treasury, Ministry of Economy and Finance, Italy
(Alternate for Tommaso Padoa-Schioppa, Minister of Economy and Finance, Italy)
Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System
Alternate for Henry M. Paulson, Jr., Secretary of the Treasury, United States)
Didier Reynders, Deputy Prime Minister and Minister of Finance, Belgium
Axel A. Weber, President, Deutsche Bundesbank
Alternate for Peer Steinbrück, Minister of Finance, Germany)
Wayne Swan, Treasurer of the Commonwealth of Australia
Paul Toungui, Minister of State, Minister of Finance, Economy, Budget and Privatization, Gabon
Tarisa Watanagase, Governor, Bank of Thailand
Zhou Xiaochuan, Governor, People's Bank of China

Observers

Mohammad Alipour-Jeddi, Head, Petroleum Market Analysis Department, Organization of the Petroleum Exporting Countries (OPEC)
Joaquín Almunia, Commissioner for Economic and Monetary Affairs, European Commission (EC)
Agustín Carstens, Chairman, Joint Development Committee (DC)
Mario Draghi, Chairman, Financial Stability Forum (FSF)
Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development (OECD)
Jomo Kwame Sundaram, Assistant Secretary-General for Economic Development, United Nations (UN)
Malcolm D. Knight, General Manager, Bank for International Settlements (BIS)
Pascal Lamy, Director-General, World Trade Organization (WTO)
Ugo Panizza, Chief, Debt and Finance Analysis Unit (UNCTAD)
Stephen Pursey, Director, Policy Integration and Statistics Department and Senior Advisor to the Director-General, International Labour Organization (ILO)
Jean-Claude Trichet, President, European Central Bank (ECB)
Robert B. Zoellick, President, World Bank Group

Executive Directors and voting power
April 30, 2008

Director *Alternate*	**Casting votes of**	**Votes by country**	**Total votes**[1]	**Percent of Fund total**[2]
Appointed				
Meg Lundsager	United States	371,743	371,743	16.77
Daniel Heath				
Daisuke Kotegawa	Japan	133,378	133,378	6.02
Hiromi Yamaoka				
Klaus D. Stein	Germany	130,332	130,332	5.88
Stephan von Stenglin				
Ambroise Fayolle	France	107,635	107,635	4.86
Benoît Claveranne				
Alex Gibbs	United Kingdom	107,635	107,635	4.86
Jens Larsen				
Elected				
Willy Kiekens	Austria	18,973		
(Belgium)	Belarus	4,114		
Johann Prader	Belgium	46,302		
(Austria)	Czech Republic	8,443		
	Hungary	10,634		
	Kazakhstan	3,907		
	Luxembourg	3,041		
	Slovak Republic	3,825		
	Slovenia	2,567		
	Turkey	12,163	113,969	5.14
Age F.P. Bakker	Armenia	1,170		
(Netherlands)	Bosnia and Herzegovina	1,941		
Yuriy G. Yakusha	Bulgaria	6,652		
(Ukraine)	Croatia	3,901		
	Cyprus	1,646		
	Georgia	1,753		
	Israel	9,532		
	Macedonia, former Yugoslav Republic of	939		
	Moldova	1,482		
	Netherlands	51,874		
	Romania	10,552		
	Ukraine	13,970	105,412	4.76

Director / ***Alternate***	**Casting votes of**	**Votes by country**	**Total votes[1]**	**Percent of Fund total[2]**
José A. Rojas	Costa Rica	1,891		
(Venezuela)	El Salvador	1,963		
Ramón Guzmán	Guatemala	2,352		
(Spain)	Honduras	1,545		
	Mexico	31,778		
	Nicaragua	1,550		
	Spain	30,739		
	República Bolivariana de Venezuela,	26,841	98,659	4.45
Arrigo Sadun	Albania	737		
(Italy)	Greece	8,480		
Miranda Xafa	Italy	70,805		
(Greece)	Malta	1,270		
	Portugal	8,924		
	San Marino	420		
	Timor-Leste	332	90,968	4.10
Richard Murray	Australia	32,614		
(Australia)	Kiribati	306		
Wilhemina C. Mañalac	Korea	29,523		
(Philippines)	Marshall Islands	285		
	Micronesia, Federated States of	301		
	Mongolia	761		
	New Zealand	9,196		
	Palau	281		
	Papua New Guinea	1,566		
	Philippines	9,049		
	Samoa	366		
	Seychelles	338		
	Solomon Islands	354		
	Vanuatu	420	85,360	3.85
GE Huayong	China	81,151	81,151	3.66
(China)				
HE Jianxiong				
(China)				
Jonathan Fried	Antigua and Barbuda	385		
(Canada)	Bahamas, The	1,553		
Peter Charleton	Barbados	925		
(Ireland)	Belize	438		
	Canada	63,942		
	Dominica	332		
	Grenada	367		
	Ireland	8,634		
	Jamaica	2,985		
	St. Kitts and Nevis	339		
	St. Lucia	403		
	St. Vincent and the Grenadines	333	80,636	3.64

Director / ***Alternate***	**Casting votes of**	**Votes by country**	**Total votes[1]**	**Percent of Fund total[2]**
Jens Henriksson	Denmark	16,678		
(Sweden)	Estonia	902		
Jarle Bergo	Finland	12,888		
(Norway)	Iceland	1,426		
	Latvia	1,518		
	Lithuania	1,692		
	Norway	16,967		
	Sweden	24,205	76,276	3.44
A. Shakour Shaalan	Bahrain	1,600		
(Egypt)	Egypt	9,687		
Samir El-Khouri	Iraq	12,134		
(Lebanon)	Jordan	1,955		
	Kuwait	14,061		
	Lebanon	2,280		
	Libya	11,487		
	Maldives	332		
	Oman	2,190		
	Qatar	2,888		
	Syrian Arab Republic	3,186		
	United Arab Emirates	6,367		
	Yemen, Republic of	2,685	70,852	3.20
Abdallah S. Alazzaz	Saudi Arabia	70,105	70,105	3.16
(Saudi Arabia)				
Ahmed Al Nassar				
(Saudi Arabia)				
Perry Warjiyo	Brunei Darussalam	2,402		
(Indonesia)	Cambodia	1,125		
Chantavam Sucharitakul	Fiji	953		
(Thailand)	Indonesia	21,043		
	Lao People's Democratic Republic	779		
	Malaysia	15,116		
	Myanmar	2,834		
	Nepal	963		
	Singapore	8,875		
	Thailand	11,069		
	Tonga	319		
	Vietnam	3,541	69,019	3.11
Peter Gakunu	Angola	3,113		
(Kenya)	Botswana	880		
Samuel Itam	Burundi	1,020		
(Sierra Leone)	Eritrea	409		
	Ethiopia	1,587		
	Gambia, The	561		
	Kenya	2,964		
	Lesotho	599		
	Liberia	1,542		
	Malawi	944		

Director *Alternate*	**Casting votes of**	**Votes by country**	**Total votes[1]**	**Percent of Fund total[2]**
	Mozambique	1,386		
	Namibia	1,615		
	Nigeria	17,782		
	Sierra Leone	1,287		
	South Africa	18,935		
	Sudan	1,947		
	Swaziland	757		
	Tanzania	2,239		
	Uganda	2,055		
	Zambia	5,141	66,763	3.01
Thomas Moser	Azerbaijan	1,859		
(Switzerland)	Kyrgyz Republic	1,138		
Andrzej Raczko	Poland	13,940		
(Poland)	Serbia	4,927		
	Switzerland	34,835		
	Tajikistan	1,120		
	Turkmenistan	1,002		
	Uzbekistan	3,006	61,827	2.79
Aleksei V. Mozhin	Russian Federation	59,704	59,704	2.69
(Russian Federation)				
Andrei Lushin				
(Russian Federation)				
Mohammad Jafar Mojarrad	Afghanistan, Islamic			
(Islamic Republic of Iran)	Republic of	1,869		
Mohammed Daïri	Algeria	12,797		
(Morocco)	Ghana	3,940		
	Iran, Islamic Republic of	15,222		
	Morocco	6,132		
	Pakistan	10,587		
	Tunisia	3,115	53,662	2.42
Paulo Nogueira Batista, Jr.	Brazil	30,611		
(Brazil)	Colombia	7,990		
María Ines Agudelo	Dominican Republic	2,439		
(Colombia)	Ecuador	3,273		
	Guyana	1,159		
	Haiti	1,069		
	Panama	2,316		
	Suriname	1,171		
	Trinidad and Tobago	3,606	53,634	2.42
Adarsh Kishore	Bangladesh	5,583		
(India)	Bhutan	313		
K.G.D.D. Dheerasinghe	India	41,832		
(Sri Lanka)	Sri Lanka	4,384	52,112	2.35

Director *Alternate*	Casting votes of	Votes by country	Total votes[1]	Percent of Fund total[2]
Javier Silva-Ruete	Argentina	21,421		
(Peru)	Bolivia	1,965		
Héctor R. Torres	Chile	8,811		
(Argentina)	Paraguay	1,249		
	Peru	6,634		
	Uruguay	3,315	43,395	1.96
Laurean W. Rutayisire	Benin	869		
(Rwanda)	Burkina Faso	852		
Kossi Assimaidou	Cameroon	2,107		
(Togo)	Cape Verde	346		
	Central African Republic	807		
	Chad	810		
	Comoros	339		
	Congo, Democratic Republic of the	5,580		
	Congo, Republic of	1,096		
	Côte d'Ivoire	3,502		
	Djibouti	409		
	Equatorial Guinea	576		
	Gabon	1,793		
	Guinea	1,321		
	Guinea-Bissau	392		
	Madagascar	1,472		
	Mali	1,183		
	Mauritania	894		
	Mauritius	1,266		
	Niger	908		
	Rwanda	1,051		
	São Tomé and Príncipe	324		
	Senegal	1,868		
	Togo	984	30,749	1.39
			2,214,976[3,4,5]	99.95[6]

[1]Voting power varies on certain matters pertaining to the General Department with use of the Fund's resources in that Department.
[2]Percentages of total votes (2,216,193) in the General Department and the Special Drawing Rights Department.
[3]This total does not include the votes of Somalia, which did not participate in the 2006 Regular Election of Executive Directors. This member has 692 votes, or 0.03 percent of the total votes in the General Department and Special Drawing Rights Department.
[4]Zimbabwe's voting rights were suspended effective June 6, 2003, pursuant to Article XXVI, Section 2*(b)* of the Articles of Agreement.
[5]This total does not include the votes of Montenegro, which joined the Fund effective January 18, 2007. This member has 525 votes, or 0.02 percent of the total votes in the General Department and Special Drawing Rights Department.
[6]This figure may differ from the sum of the percentages shown for individual Directors because of rounding.

APPENDIX **| V**

Changes in membership of the Executive Board

Changes in the membership of the Executive Board between May 1, 2007, and April 30, 2008, were as follows:

Age Bakker (Netherlands) was elected Executive Director by Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, the former Yugoslav Republic of Macedonia, Moldova, the Netherlands, Romania, and Ukraine, effective May 1, 2007.

Perry Warjiyo (Indonesia) was elected Executive Director by Brunei Darussalam, Cambodia, Fiji, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, and Vietnam, effective May 1, 2007.

Shigeo Kashiwagi (Japan) relinquished his duties as Executive Director for Japan, effective June 22, 2007.

Tom Scholar (United Kingdom) relinquished his duties as Executive Director for the United Kingdom, effective June 26, 2007.

Alex Gibbs (United Kingdom) was appointed Executive Director by the United Kingdom, effective June 27, 2007.

Michio Kitahara (Japan) relinquished his duties as Alternate Executive Director to Shigeo Kashiwagi (Japan), effective July 2, 2007.

Hiromi Yamaoka (Japan) was appointed Alternate Executive Director to Shigeo Kashiwagi (Japan), effective July 3, 2007.

Bertrand Dumont (France) relinquished his duties as Alternate Executive Director to Pierre Duquesne (France), effective July 13, 2007.

Benoît Claveranne (France) was appointed Alternate Executive Director to Pierre Duquesne (France), effective July 14, 2007.

Daisuke Kotegawa (Japan) was appointed Executive Director by Japan, effective July 24, 2007.

Pierre Duquesne (France) relinquished his duties as Executive Director for France, effective September 28, 2007.

Ambroise Fayolle (France) was appointed Executive Director by France, effective September 29, 2007.

A.U. Herat (Sri Lanka) relinquished his duties as Alternate Executive Director to Adarsh Kishore (India), effective August 31, 2007.

K.G.D.D. Dheerasinghe (Sri Lanka) was appointed Alternate Executive Director to Adarsh Kishore (India), effective September 1, 2007.

Roberto Guarnieri (República Bolivariana de Venezuela) relinquished his duties as Executive Director for Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and República Bolivariana de Venezuela, effective October 31, 2007.

Daniel Heath (United States) was appointed Alternate Executive Director to Meg Lundsager (United States), effective November 26, 2007.

José Alejandro Rojas (República Bolivariana de Venezuela) was elected Executive Director by Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and República Bolivariana de Venezuela, effective November 26, 2007.

Samura Kamara (Sierra Leone) relinquished his duties as Alternate Executive Director to Peter Gakunu (Kenya), effective December 31, 2007.

Godwill Ukpong (Nigeria) was appointed Alternate Executive Director to Peter Gakunu (Kenya), effective January 7, 2008.

Tuomas Saarenheimo (Finland) relinquished his duties as Executive Director for Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, effective January 13, 2008.

Jens Henriksson (Sweden) was elected Executive Director by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, effective January 14, 2008.

Abbas Mirakhor (Islamic Republic of Iran) relinquished his duties as Executive Director for the Islamic Republic of Afghanistan, Algeria, Ghana, the Islamic Republic of Iran, Morocco, Pakistan, and Tunisia, effective January 31, 2008.

Mohammad Jafar Mojarrad (Islamic Republic of Iran) was elected Executive Director by the Islamic Republic of Afghanistan, Algeria, Ghana, the Islamic Republic of Iran, Morocco, Pakistan, and Tunisia, effective February 1, 2008.

Godwill Ukpong (Nigeria) relinquished his duties as Alternate Executive Director to Peter Gakunu (Kenya), effective March 28, 2008.

Samuel Itam (Sierra Leone) was appointed Alternate Executive Director to Peter Gakunu (Kenya), effective March 31, 2008.

Jón Sigurgeirsson (Iceland) relinquished his duties as Alternate Executive Director to Jens Henriksson (Sweden), effective April 1, 2008.

Jarle Bergo (Norway) was appointed Alternate Executive Director to Jens Henriksson (Sweden), effective April 2, 2008.

APPENDIX **| VI**

Financial Statements

[FORTHCOMING]