IMF
2013

INTERNATIONAL MONETARY FUND

ANNUAL REPORT 2013
PROMOTING A MORE SECURE AND STABLE GLOBAL ECONOMY

THE INTERNATIONAL MONETARY FUND

The IMF is the world's central organization for international monetary cooperation. With 188 member countries, it is an organization in which almost all of the countries in the world work together to promote the common good. The IMF's primary purpose is to safeguard the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to buy goods and services from one another. This is essential for achieving sustainable economic growth and raising living standards.

All of the IMF's member countries are represented on its Executive Board, which discusses the national, regional, and global consequences of each member's economic policies. This Annual Report covers the activities of the Executive Board and IMF management and staff during the financial year May 1, 2012, through April 30, 2013.

The main activities of the IMF include

• providing advice to members on adopting policies that can help them prevent or resolve a financial crisis, achieve macroeconomic stability, accelerate economic growth, and alleviate poverty;

• making financing temporarily available to member countries to help them address balance of payments problems, that is, when they find themselves short of foreign exchange because their payments to other countries exceed their foreign exchange earnings; and

• offering technical assistance and training to countries, at their request, to help them build the expertise and institutions they need to implement sound economic policies.

The IMF is headquartered in Washington, D.C., and, reflecting its global reach and close ties with its members, also has offices around the world.

Additional information on the IMF and its member countries can be found on the Fund's website, www.imf.org.

Ancillary materials for the Annual Report—Web Boxes, Web Tables, Appendixes (including the IMF's financial statements for the financial year ended April 30, 2013), and other pertinent documents—can be accessed via the Annual Report web page at www.imf.org/external/pubs/ft/ar/2013/eng. Print copies of the financial statements are available from IMF Publication Services, P.O. Box 92780, Washington, DC 20090. A CD-ROM version of the Annual Report, including the ancillary materials posted on the web page, is also available from IMF Publication Services.

ACRONYMS AND ABBREVIATIONS

AFRITAC	Africa Regional Technical Assistance Center
ASEAN+3	Association of Southeast Asian Nations plus China, Japan, and Korea
ATI	Africa Training Institute
BIS	Bank for International Settlements
BPM6	*Balance of Payments Manual*, sixth edition
BOPS	Balance of Payments Statistics
CDIS	Coordinated Direct Investment Survey
CPIS	Coordinated Portfolio Investment Survey
COFER	Currency Composition of Foreign Exchange Reserves
CPI-GBA	Consumer Price Index for Greater Buenos Aires
EAC	External Audit Committee
EC	European Commission
ECB	European Central Bank
EUO	Offices in Europe
FAS	Financial Access Survey
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FY	financial year
GAB	General Arrangements to Borrow
G-20	Group of Twenty
GDDS	General Data Dissemination System
GDP	gross domestic product
GFSM 2001	*Government Finance Statistics Manual*
GRA	General Resources Account
HIPC	Heavily Indebted Poor Countries
ICD	Institute for Capacity Development
IEO	Independent Evaluation Office
IFRS	International Financial Reporting Standards
IFS	*International Financial Statistics*
IT	information technology
MAP	Mutual Assessment Process
MDRI	Multilateral Debt Relief Initiative
NAB	New Arrangements to Borrow
OAP	Regional Office for Asia and the Pacific
OECD	Organisation for Economic Co-operation and Development
OIA	Office of Internal Audit and Inspection
PIN	Public Information Notice
PR	Press Release
PRGT	Poverty Reduction and Growth Trust
RA-FIT	Revenue Administration Fiscal Information Tool
REO	*Regional Economic Outlook*
RTC	regional training center
RTAC	regional technical assistance center
SDDS	Special Data Dissemination Standard
SDR	special drawing right

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The IMF's financial year is May 1 through April 30. The unit of account of the IMF is the special drawing right (SDR); conversions of IMF financial data to U.S. dollars are approximate and provided for convenience. On April 30, 2013, the SDR/U.S. dollar exchange rate was US\$1 = SDR 0.662691, and the U.S. dollar/SDR exchange rate was SDR 1 = US\$1.509. The year-earlier rates (April 30, 2012) were US\$1 = SDR 0.644934 and SDR 1 = US\$1.55055.

"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 AND CHAIR OF THE EXECUTIVE BOARD

Christine Lagarde, Managing Director and Chair of the Executive Board

At our 2012 Annual Meetings in Tokyo, the International Monetary and Financial Committee (IMFC) called on the global community to act decisively to put the world economy on a path of strong, sustainable, and balanced growth. As I reflect on the past year, the fifth since the crisis began, this rallying call for policy action remains imperative.

Decisive actions by policymakers during the year successfully defused the most immediate risks to the global economy. Yet the road to a robust and comprehensive recovery remains bumpy. Global growth is still too weak and too uneven, and the outlook is clouded with risks, old and new. In far too many countries, improvements in financial markets have not translated into improvements in the real economy—and in the lives of people.

The challenges ahead are great and the need for concerted action is a responsibility that the IMF shares with its 188 member countries. In this spirit, the IMF presented a new product to the IMFC in October 2012 and again at the 2013 Spring Meetings—a *Global Policy Agenda* that outlines policy priorities for the membership and how the IMF can assist.

Our key responsibility is to adjust to the changing nature of the global economy, and to better discharge our mandate and serve the shifting and diverse needs of our member countries. Thanks to a close partnership between management, staff, and the Executive Board, the IMF continued to make progress on a wide range of fronts to strengthen the institution's operations in support of all members—advanced, emerging, and low-income economies alike.

Several innovations to the Fund's surveillance framework came to fruition, following the recommendations of the 2011 Triennial Surveillance Review. Three important upgrades include the new Integrated Surveillance Decision, as well as the launch of a Pilot External Sector Report and Spillover Report. These initiatives bring together the bilateral and multilateral perspectives of the Fund's policy advice, sharpening our analysis of spillovers and cross-border effects, and focusing on the stability of the system as a whole.

The Fund also stepped up its analytic agenda to provide a better basis for tailored policy advice. We have redoubled our efforts in areas that might best be described as the legacy issues of the crisis, with greater focus on the analysis of jobs and growth, fiscal consolidation and growth, and the critically important financial sector. Work in this last area will also be reinforced by the newly adopted financial sector strategy. Another key area was the culmination of work on capital flows, in which the Fund developed a comprehensive, flexible, and balanced institutional view on the management of global capital flows to help give countries clear and consistent policy advice.

David Lipton, First Deputy Managing Director

As the recovery has been slow to take hold, lending continued to be a key element of IMF support for its member countries. While this is critically important for those countries at the center of the crisis, the Fund needs to be able to stand behind all its members. The earlier enhancements to the Flexible Credit Line continued to prove useful, with successor arrangements in Mexico and Poland. The Fund also increased its engagement with Arab countries in transition.

Naoyuki Shinohara, Deputy Managing Director

To help strengthen the global financial safety net, members made additional pledges to boost the Fund's borrowed resources, bringing the total to US$461 billion. The institution also took important steps to meet the needs of its low-income members. The Executive Board approved the use of US$2.7 billion in remaining windfall gold sales profits as part of a strategy to ensure the long-term sustainability of the Fund's concessional financing facilities. This came on top of the assurances provided by members to use US$1.1 billion of gold sales profits to bolster our concessional resources in the near term.

We also achieved a number of milestones in the Fund's capacity development and training activities, the third pillar of our work. The year began with the creation of the new Institute for Capacity Development to make technical assistance and training better aligned and more effective. The Fund further expanded its capacity-building presence on the ground, with an agreement to establish a regional training center in Mauritius and preparations for the new regional technical assistance center in West Africa.

Nemat Shafik, Deputy Managing Director

A final but crucial note: the Fund must truly reflect its global ownership. A point that bears repeating is that we need an IMF that represents and looks like the world today. During the year we made progress. We achieved most of the conditions for the 2010 quota and governance reforms to enter into force. Our top priority must be to follow through, to complete those reforms and build on the work already done toward a new quota formula so that the institution more effectively represents its membership.

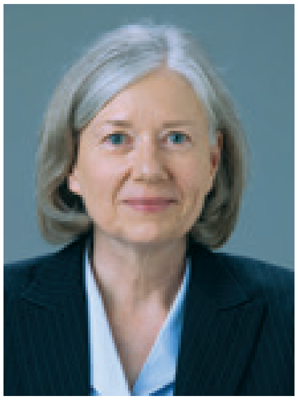
I am proud of the IMF's accomplishments over the past year and the tireless efforts of our dedicated staff, and have been honored to serve as Managing Director. I look forward to continuing to work closely with all our member countries—and their representatives on the Executive Board—in tackling the many challenges still facing the global economy.

Min Zhu, Deputy Managing Director

The Annual Report of the IMF's Executive Board to the Fund's Board of Governors is an essential instrument in the IMF's accountability. The Executive Board is responsible for conducting the Fund's business and consists of 24 Executive Directors appointed by the IMF's 188 member countries, while the Board of Governors, on which every member country is represented by a senior official, is the highest authority governing the IMF. The publication of the Annual Report represents the accountability of the Executive Board to the Fund's Board of Governors.

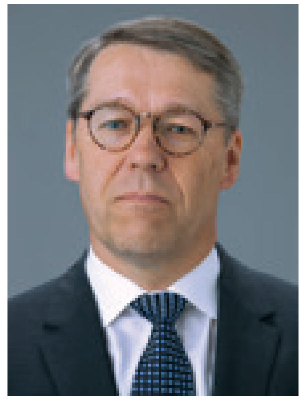
EXECUTIVE BOARD as of April 30, 2013

Alternate Executive Directors are indicated in italics.



Meg Lundsager
Vacant
United States

Daikichi Momma
Tomoyuki Shimoda
Japan



Hubert Temmeyer
Steffen Meyer
Germany

Hervé de Villeroché
Alice Terracol
France

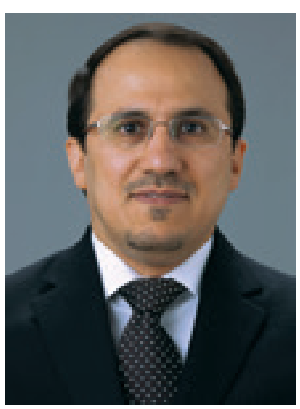
Der Jiun Chia
Rasheed Abdul Ghaffour
Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, Vietnam

ZHANG Tao
SUN Ping
China

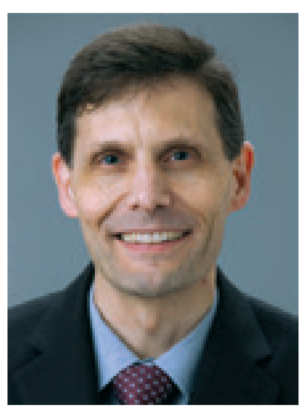
Jong-Won Yoon
Ian Davidoff
Australia, Kiribati, Korea, Marshall Islands, Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan, Vanuatu

Thomas Hockin
Mary T. O'Dea
Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines

Rakesh Mohan
Kosgallana Ranasinghe
Bangladesh, Bhutan, India, Sri Lanka



Ahmed Alkholifey
Fahad Alshathri
Saudi Arabia

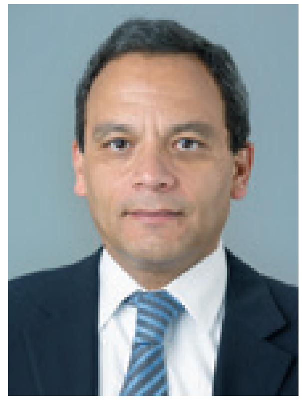


René Weber
Dominik Radziwill
Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan

Paulo Nogueira Batista, Jr.
Hector Torres, Luis Oliveira Lima
Brazil, Cape Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, Trinidad and Tobago

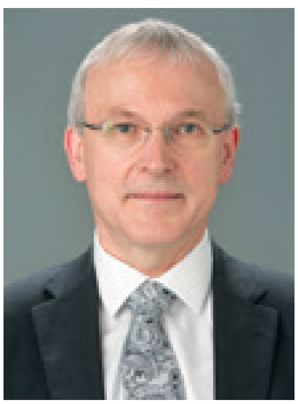
Stephen Field
Christopher Yeates
United Kingdom

Menno Snel
Willy Kiekens, Yuriy G. Yakusha
Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine



José Rojas
Fernando Varela, Maria Angélica Arbeláez
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, Venezuela

Andrea Montanino
Thanos Catsambas
Albania, Greece, Italy, Malta, Portugal, San Marino

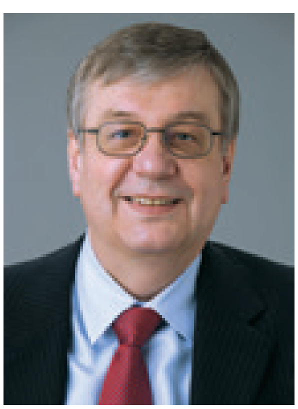


Audun Groenn
Pernilla Meyersson
Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden

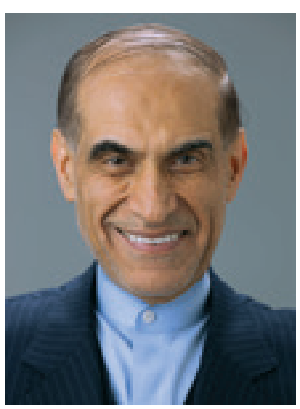
Momodou Saho
Chileshe M. Kapwepwe, Okwu Joseph Nnanna
Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe

A. Shakour Shaalan
Sami Geadah
Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, Yemen

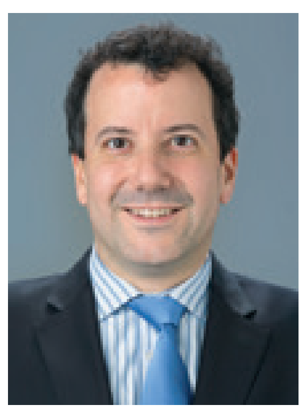
Johann Prader
Miroslav Kollar
Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, Turkey



Aleksei V. Mozhin
Andrei Lushin
Russia



Mohammad Jafar Mojarrad
Mohammed Daïri
Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia



Pablo Garcia-Silva
Sergio Chodos
Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay

Kossi Assimaidou
Nguéto Tiraina Yambaye, Woury Diallo
Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo

LETTER OF TRANSMITTAL TO THE BOARD OF GOVERNORS

July 29, 2013

Dear Mr. Chairman:

On behalf of the Executive Board of the International Monetary Fund, I have the honor to transmit for consideration by the Board of Governors: (i) the Financial Statements of the International Monetary Fund for the Financial Year Ended April 30, 2013, which include the independent auditors' reports issued by the Fund's external audit firm Deloitte & Touche and (ii) the Letter of Transmittal from the External Audit Committee to the Board of Governors.

The audits were conducted by Deloitte & Touche, in accordance with International Standards on Auditing, auditing standards generally accepted in the United States of America, and the requirements of Section 20(b) of the Fund's By-Laws. The External Audit Committee, comprising Mr. Ayass (Chairman), Mr. Wang, and Mr. Ramos, had general oversight of the annual audit, as required under Section 20(c) of the Fund's By-Laws.

Yours very truly,

Christine Lagarde
Managing Director and Chair of the Executive Board

1 OVERVIEW

OVERVIEW

The period from May 2012 through April 2013—the IMF's financial year 2013[1]—saw the world dealing with the prolonged effects of a global crisis that had persisted well beyond initial expectations in an atmosphere of heightened global change. With economic activity remaining weak and the potential for renewed stresses still high, efforts to advance global stability and a secure future were as essential as ever.

In her *Global Policy Agenda*, the IMF's Managing Director charted a set of actions needed across the membership to secure the recovery and to lay the foundation for a more robust global financial architecture, and detailed the institution's role in assisting the membership with these formidable tasks.

Through assessments in its various multilateral and bilateral surveillance products and active engagement with its 188 member countries via policy and financial support and capacity development, the IMF continued to assist members in identifying systemic risks and designing strong policies to respond to threats to domestic and global stability.

THE GLOBAL ECONOMY

Although economic activity showed signs of stabilizing in advanced economies during the year and even accelerated somewhat in emerging market economies, it was clear that continued turbulence was likely, at least in the near term. Serious threats to global recovery during the year—faltering market confidence in Europe, the looming fiscal cliff in the United States—were averted, and financial stability grew stronger, but growth prospects remained stubbornly low, and a multiple-speed recovery emerged that threatened global recovery in an increasingly interconnected world. Chapter 2 discusses the year's economic and financial developments in greater depth.

SURVEILLANCE

Following its comprehensive Triennial Surveillance Review in 2011, the IMF took steps during the year to reform its surveillance along the lines of the priorities identified in that review. It published a pilot report on the external sector, presenting a combination of multilateral and bilateral perspectives. Perhaps most significantly, the institution adopted a Decision on Bilateral and Multilateral Surveillance with the objective of better integrating IMF monitoring of the global economy with its oversight over individual countries. It also adopted a strategy for financial surveillance aimed at improving risk identification, developing better instruments to support integrated policy response to risks, and increasing engagement with stakeholders to improve impact. Chapter 3 provides additional information about IMF surveillance during the year.

FINANCING

With the ongoing crisis, financing remained an important mode of IMF support for its members. The Executive Board approved five arrangements under the IMF's nonconcessional financing facilities during the year, two fewer than in the previous year. Successor arrangements under the Flexible Credit Line for Mexico and Poland accounted for the vast majority of the amount committed, and a sizable percentage of the amount disbursed went to three euro area countries with IMF programs.

The IMF continued its support to low-income member countries under the Poverty Reduction and Growth Trust (PRGT), with 9 new or augmented arrangements approved during the year, down from 20 the year before. The total number of countries supported under the PRGT changed little, however, with 62 countries (compared with the prior year's 64) having outstanding concessional financing as of the end of the year. **Chapter 4 provides additional details on the institution's financing activities during the year.**

POLICY AGENDA

With endorsement from the International Monetary and Financial Committee (IMFC), the institution's policy work for the year reflected the priority areas identified in the Managing Director's *Global Policy Agenda*. In addition to short-term policy actions required to move the global economy from stabilization to growth, the focus of policy priorities needed over the medium term was on four areas. In the area of *jobs and growth*, analytical and operational considerations for the IMF, as well as fiscal policy and employment in advanced and emerging market economies, were examined. Work regarding *debt sustainability* spanned countries at all income levels. A review of the IMF's framework for assessing debt sustainability recommended changes to promote more uniform outcomes. A new Guidance Note on Public Debt Sustainability Analysis for Market Access Countries introduced a differentiated risk-based approach. Work toward *strengthening financial systems* included assessing work on the key attributes of effective resolution regimes and revising the IMF's Guidelines for Foreign Exchange Reserve Management. Finally, in the area of *global analysis and spillovers,* the IMF followed the previous year's pilot Spillover Reports for five systemic economies with a consolidated report on these same economies. It also approved an institutional view on liberalization and management of capital flows that will inform both its policy advice and its assessments of member policies. **The policy agenda for the year is examined in further detail in Chapters 3 and 4.**

CAPACITY DEVELOPMENT

As the year began, two existing IMF units were merged into the new Institute for Capacity Development, as part of a strategic approach to this core area of IMF activity. Significant accomplishments in the institute's first year included an agreement to establish a regional training center in Mauritius, key preparatory work for the opening of a new regional technical assistance center in West Africa, and a seminar celebrating the twentieth anniversary of the Joint Vienna Institute. The majority of technical assistance continued to be provided to the IMF's low- and middle-income members. Demand for IMF training programs, supported by external donors and training partners, remained robust, with the IMF's middle-income members the primary beneficiaries. **The year's activities in the area of capacity development are covered in Chapter 4.**

Left Workers on an assembly line in Gliwice, Poland **Right** Produce vendors at the central market in Port Louis, Mauritius

RESOURCES

Ensuring adequate resources to support members' financing needs has been a priority since the onset of the crisis. During the year, the Executive Board approved the modalities for bilateral borrowing from member countries to supplement quota resources and the institution's standing borrowing arrangements; as of the end of April 2013, 38 countries had made commitments to provide resources through this avenue, and 25 bilateral agreements had been approved by the Executive Board. Fourteen members had signed separate bilateral borrowing agreements specifically to support the IMF's concessional financing. To alleviate concerns that concessional financing needs might exceed capacity, the institution took steps to make that financing more sustainable over the long haul. The Board approved the use of the remaining portion of the windfall profits from the IMF's 2009–10 gold sales to bolster PRGT subsidy resources. It also endorsed a three-pillar strategy for PRGT sustainability that includes a base envelope of resources, contingent measures to cover needs that exceed that envelope, and a principle of self-sustainability for future modifications to the concessional financing architecture. **Chapter 5 provides additional information about IMF efforts to ensure the adequacy of its resources.**

A CHANGING IMF

Efforts have been underway for some time to ensure that the IMF remains responsive to the changing needs of its members and reflects the rapid evolution of the global economy in the aftermath of the crisis. A change in the institution's quota and governance structure agreed to in December 2010 awaits completion by the membership of the necessary steps for implementation; it would double quotas and shift quota shares substantially in the direction of emerging market economies and developing countries, and institute an all-elected Executive Board. In addition, as part of these reforms, a comprehensive review of the formula for calculating members' quotas was undertaken during the year, and its outcome was reported to the Board of Governors. **Activity in the area of quota and governance reform is discussed in Chapter 5.**

2 GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

GLOBAL ECONOMIC AND FINANCIAL DEVELOPMENTS

As FY2013 came to a close, financial conditions had improved, but the road to a comprehensive and robust global recovery was expected to remain bumpy. Policy actions during the year addressed the gravest short-term risks, but growth prospects were little changed by the end of April 2013, and the global economy was evolving at different speeds—in various parts of the world improved financial conditions had not translated evenly into growth or other factors were acting as brakes.

Decisive policy actions had successfully defused the two most immediate threats to the global recovery. One, strong actions by European policymakers had helped avert major risks of a tail event in the euro area. Two, U.S. policymakers had been able to avoid the fiscal cliff. In both instances, however, durable solutions would be needed to combat underlying risks. At the same time, Japan had adopted more expansionary macroeconomic policies, including ambitious changes to the monetary policy framework. Also, policy easing in key emerging market economies helped support internal demand.

Financial stability had strengthened, with the decline in market and liquidity risks. Market volatility had subsided and asset prices rallied, posting strong gains in both advanced and emerging market economies from mid-2012. Nevertheless, confidence remained fragile, and markets tended to move ahead of the real economy. In this regard, the recovery remained unbalanced—moving at "three speeds"—and global growth prospects were little changed, highlighting key factors still weighing on growth.

TURNING THE CORNER AT DIFFERENT SPEEDS

World growth hit a trough at about 2¼ percent in the second quarter of 2012, but picked up steam in the second half of the year, reaching 2¾ percent, and in early 2013, leading indicators pointed to a further acceleration of activity. In the April 2013 *World Economic Outlook*, real GDP growth was forecast to reach 3¼ percent in 2013, rising to 4 percent in 2014. However, these global averages masked considerable variations between and even within groups of countries.

In the advanced economies, in particular, the recovery was expected to proceed at different speeds, with the United States in the lead. Private demand in the United States had shown signs of strength, although the larger-than-expected fiscal adjustment was expected to keep real GDP growth at about 2 percent in 2013. The euro area was projected to remain in recession in 2013, with many economies facing continued fiscal adjustment, competitiveness problems, persistent differences or fragmentation in financial conditions, and deleveraging pressures stemming from private sector debt overhang, including in the banking sector. Japan, by contrast, would see a fiscal- and monetary-stimulus-driven rebound in 2013. Overall growth for advanced economies in 2013 was forecast to be 1¼ percent—no better than in 2012—although growth was expected to continue to gain momentum, reaching 2¼ percent in 2014.

In emerging market economies and developing countries, the expansion of output was projected to become more broad based and accelerate steadily. After decelerating to 5.1 percent in 2012, activity was expected to reach 5.3 percent in 2013, before rebounding to 5.7 percent in 2014. The return to stronger growth was driven by resilient consumer demand, macroeconomic policy on hold, and exports reviving as the advanced economies recovered. However, some economies in the Middle East and North Africa were continuing to struggle with difficult internal transitions. In contrast, the prospects for many dynamic low-income countries appeared stronger thanks largely to sound policy frameworks and earlier structural reforms.

Although policy actions had helped ease near-term risks, old and new dangers still clouded the outlook. In the euro area, the most immediate risks stemmed from incomplete or stalled delivery of reform commitments, at both the euro area and national levels. In the United States, near-term risks pertained to the possible sharper fiscal contraction if the budget sequester were not reversed soon. Moreover, failure to raise the U.S. debt ceiling by later in 2013 would be very damaging to global economic and financial stability. Over the medium term, in Japan as well as the United States, risks related to the absence of credible medium-term fiscal consolidation plans. Other relevant risks concerned limited policy space, high private sector debt, and persistently weak activity. For example, larger or more persistent adverse effects of public and private deleveraging, entrenched fragmentation, and delayed structural reforms could lead to stagnation in the euro area. There was also growing concern regarding the potential complications from easy and unconventional monetary policy in many advanced economies, as well as rising challenges to domestic financial stability in many emerging market economies and developing countries.

ACHIEVING A FULL-SPEED GLOBAL ECONOMY

As FY2013 drew to an end, the imbalances in and risks to the global recovery underscored the need for a proactive policy stance. Policymakers faced a difficult balancing act in moving from financial stabilization to securing an enduring full-speed global economy. Unless policies addressed the lingering risks, global activity was likely to suffer periodic setbacks, and robust real growth—and much-needed jobs growth—might remain elusive. By the same token, a stronger-than-projected policy response could also foster a stronger recovery in activity.

In the advanced economies, there was no silver bullet to address concerns about demand and debt. Policymakers were advised to prudently use all available margins to stimulate demand and growth, complemented with structural policies to boost employment and competitiveness. A comprehensive approach on all fronts that managed well the underlying trade-offs would be needed to achieve a lasting and robust recovery.

More broadly, fiscal consolidation was essential given persistent high debt in many advanced economies. However, in the short term, tightening needed to be calibrated at a pace that preserved the recovery. The April 2013 *Fiscal Monitor* underscored that consolidation needed to be gradual, but sustained toward medium-term objectives, in the context of growth-friendly strategies suitable for each country. This underlined the urgency of formulating clear and credible plans, for example, in Japan and the United States to bring debt ratios down over the medium term. In countries where private demand had been chronically disappointing, policymakers were encouraged to consider smoothing the pace of consolidation, if they had room for maneuver and financing allowed.

Left Steel production line in Isfahan, Iran **Right** A man picks coffee on a plantation in Burundi

Monetary policy in advanced economies needed to remain accommodative to support activity as fiscal policy tightened, provided that long-term inflation expectations continued to stay well anchored. In this context, progress in repairing the financial sector was perceived as crucial, especially in light of the impaired credit transmission in the euro area. Policymakers were cautioned to be mindful of new and evolving financial stability risks from prolonged use of easy and unconventional monetary policies, including excessive risk taking and misallocation of resources, and advised to take appropriate macro-prudential measures, as needed, to mitigate these risks.

Notwithstanding progress to improve financial regulation at both the national and global levels, important work still lay ahead. The April 2013 *Global Financial Stability Report* underscored the need for further financial repair and action to complete the regulatory reform agenda, namely, the too-big-to-fail problem, nonbank financial institutions, and shadow banking. Prompt and consistent implementation of the reform agenda, including Basel III requirements, would be necessary for future financial stability and to strengthen the flow of credit to the real economy. Reversing financial fragmentation in the euro area, for example, was perceived as critical to supporting growth. Improved financial policies could also help the transmission of monetary policy.

In emerging market economies and developing countries, the key objectives were to strengthen policy buffers and guard against financial excesses. In this context, some tightening of policies over the medium term was considered appropriate. Where financial stability was at risk, macroeconomic policy adjustment could be supported by prudential measures, and in some circumstances, capital flow management measures could also be useful. As soon as conditions permitted, policymakers were advised also to return fiscal balances to levels that provided ample room to handle future shocks. Where structural problems—such as infrastructure and labor market bottlenecks or regulatory gaps—held back growth, effort was required to remove these impediments. In many economies, especially low-income countries, efforts needed also to continue to improve the targeting of subsidy regimes, diversify the economy, and enhance social policies.

Developments over the course of the year provided reminders of the potential for spillovers, including policy-related ones, in the increasingly interconnected global economy. The likelihood of a bumpy recovery and the skewed macroeconomic policy mix in advanced economies could complicate policymaking elsewhere, particularly in emerging market economies. With short-term financial stability risks abating, bond and equity flows to emerging market economies had resurged, increasing upward pressure on their exchange rates and raising concerns of competitive devaluations. To address currency worries it was recommended that all economies pursue policies that would foster internal and external balance. In addition, concerted efforts continued to be required to further reduce global imbalances—including stronger domestic demand and exchange rate flexibility in surplus economies, and increased public saving and structural reforms to boost competitiveness in deficit economies.

3 ADAPTING TO A RAPIDLY CHANGING WORLD

ADAPTING TO A RAPIDLY CHANGING WORLD

MONITORING GLOBAL INTERCONNECTIONS

As recent experiences in world economic and financial markets have underscored, countries have become more interconnected. Developments in one country or region can quickly spill across borders. In reviewing economic trends and developments that affect the health of the international monetary and financial system, the IMF has focused increasingly on the regional and international consequences of member countries' economic and financial policies.

Spillover Report

The IMF first prepared pilot Spillover Reports in 2011, to assess the impact of economic policies in the world's five largest systemic economies—China, the euro area, Japan, the United Kingdom, and the United States—on economic partners. A second pilot Spillover Report, now consolidated in one document, but covering the same five systemic economies, was considered by the Executive Board in an informal meeting in July 2012 and published later that month.[2]

The consolidated report provides an added perspective to the policy assessments developed in the Article IV discussions for each of the five economies (see Web Box 3.1) and serves as input to the IMF's broader multilateral surveillance. The topics covered in the report reflect consultations with policymakers from the five economies and from selected economic partners (Brazil, the Czech Republic, India, Korea, Mexico, Poland, Russia, Saudi Arabia, Singapore, South Africa, and Turkey). Rather than capturing all possible spillovers, the 2012 report builds on the previous year's findings, focusing on forward-looking issues.

Pilot External Sector Report

The Managing Director's 2011 Statement on Strengthening Surveillance included a plan covering a range of efforts,[3] including on external stability issues. In that context, the Executive Board discussed a Pilot External Sector Report in an informal meeting in July 2012.[4]

The pilot report analyzes the external positions of 28 systemic economies and the euro area. It combines multilateral and bilateral perspectives in a single report and points to potential policy responses. The analysis incorporates a new External Balance Assessment developed by the IMF staff to assess external imbalances, acknowledging the uncertainties inherent in such exercises.

By applying the same methodologies to all countries, the report ensures that assessments for individual countries are multilaterally consistent, promoting candor and evenhandedness. At the same time, country teams provide in-depth knowledge of country-specific factors, and an element of judgment, to identify elements not captured by models.

With a view to refining these approaches to the IMF's external sector surveillance, the IMF staff consulted with officials, academics, the private sector, civil society, and others in mid-2013, and another Pilot External Sector Report was published in August 2013.

POLICY ADVICE

In the course of supporting programs in member countries, helping countries strengthen their institutions and capacities, monitoring member countries' economies, and overseeing the international monetary system, the IMF provides policy advice to member countries on a variety of issues pertaining to economic stability.

Surveillance architecture

The IMF is mandated by its Articles of Agreement to oversee the international monetary system and monitor the economic and financial policies of its 188 member countries, an activity

Box 3.1

IMF engagement in Europe

The IMF's work in Europe—providing policy advice, technical assistance, and when necessary, financing—is conducted in close cooperation with European Union countries, as well as European institutions, such as the European Commission and the European Central Bank (see "Engagement with Other Organizations" in Chapter 4).[a]

Since the start of the crisis, a number of European countries have requested IMF financial support to help address fiscal and external imbalances. This includes continued support to three members of the euro area—Greece, Ireland, and Portugal—during the most recent financial year. Cyprus also requested an arrangement under the Extended Financing Facility during the year which was approved by the Executive Board in May 2013. As of April 30, 2013, the IMF had financial arrangements with eight countries in Europe;[b] commitments totaled about €107 billion (US$140 billion). This means that of the IMF's total disbursing and precautionary commitments, as of the end of the financial year, about 62 percent were to Europe as a whole.

Most of the first wave of IMF-supported programs early in the crisis were with countries in emerging Europe. The IMF provided front-loaded, flexible, and high levels of financing for many small European advanced and emerging market economies, including Hungary, Iceland, Latvia, and Romania. Strengthening conditions in Iceland and Latvia enabled both countries to make early repayments of parts of their financing arrangements during the year.[c]

The IMF tailors its policy advice to individual members, and program design in individual European countries varies accordingly. At the same time, its engagement at the regional level in Europe has focused on structural reforms to boost economic growth, such as product and services market reforms, as well as labor market and pension reforms. It has also underscored the importance of adequate safety nets to protect those most vulnerable during these difficult adjustments. In addition, at an area-wide level, the IMF has consistently called for more determined steps toward a complete monetary union, including a unified banking system and deeper fiscal integration. In the 2012 Article IV consultation on euro area policies, for example, the Executive Board stressed the importance of policymakers' continuing to demonstrate shared and unequivocal commitment—with a clear, credible road map—to deeper integration. In addition to structural reforms in both deficit and surplus countries, this requires action on two broad pillars: first, steps toward a banking union, comprising a pan-European deposit guarantee scheme and a pan-European bank resolution scheme—both backed with common resources—together with a common supervisory framework; second, greater fiscal integration, with stronger governance arrangements and risk sharing, balanced by appropriate safeguards.[d]

Efforts in recent years to strengthen the international financial system, including in Europe, have triggered additional demands for IMF technical assistance. This year, the IMF agreed to monitor European financial assistance for Spain's bank recapitalization program. Under the agreement, the IMF provided independent advice in support of the efforts of the Spanish and European authorities to restore the health of Spain's financial sector.[e]

Given the importance of Europe to global economic health and financial stability, and given the depth of IMF engagement within the region, the Executive Board is kept informed about matters relating to Europe. No fewer than seven Board briefings and updates on Europe were provided during the year, in June, August, September, October, November, and December 2012 and February 2013.

a The IMF website provides extensive information about the IMF's work in all regions of the world. For its engagement in Europe in particular, see "Tackling Current Challenges" in the "About the IMF" tab of the IMF's home page (www.imf.org/external/about/onagenda.htm), "The IMF and Europe" (www.imf.org/external/region/eur/index.aspx), and "Factsheet: The IMF and Europe" (www.imf.org/external/np/exr/facts/europe.htm), as well as the various links on each of these pages.

b Bosnia and Herzegovina, Kosovo, and Romania (Stand-By Arrangements), Greece, Ireland, Moldova, and Portugal (Extended Fund Facility), and Poland (Flexible Credit Line).

c See Press Release Nos. 12/235, "Iceland Repays Early Some Outstanding Obligations to the IMF" (www.imf.org/external/np/sec/pr/2012/pr12235.htm), and 12/314, "Latvia Makes Early Repayment to the IMF" (www.imf.org/external/np/sec/pr/2012/pr12314.htm).

d See Public Information Notice No. 12/80, "IMF Executive Board Concludes Article IV Consultation on Euro Area Policies" (www.imf.org/external/np/sec/pn/2012/pn1280.htm).

e See Press Release Nos. 12/400, "Statement on the First Financial Sector Monitoring Mission to Spain" (www.imf.org/external/np/sec/pr/2012/pr12400.htm), and 13/34, "Statement on the Second Financial Sector Monitoring Mission to Spain" (www.imf.org/external/np/sec/pr/2013/pr1334.htm).

Box 3.2

Policy advice and assistance to Arab countries in transition

The Arab countries in transition—Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen—continue to face difficult internal transitions.[a] A weak global economic environment, together with limited exchange rate flexibility, has been eroding international reserves, while substantial increases in public wages and subsidies, in response to high social pressures, have diminished fiscal buffers sharply. This underscores the urgent need to maintain macroeconomic stability. Continued political uncertainty is also holding back growth. The moderate economic recovery expected for these countries in 2013 will not be sufficient to generate the jobs needed to tackle the region's substantial unemployment. These problems are considerably aggravated by the tragic conflict in Syria, which has deteriorated into a major humanitarian crisis with growing economic and social spillovers to neighboring countries.

Persistent global, regional, and domestic risk—in particular, from lower global growth or reintensification of global financial risk aversion, higher global food and fuel prices, escalation of the conflict in Syria, and setbacks in political transitions—could undermine this already challenging outlook. On the other hand, a more benign global environment and successful political transitions could influence the outlook more positively.

In view of low fiscal and reserve buffers, fiscal consolidation and greater exchange rate flexibility, while finding more efficient ways to protect the poor, are short-term policy challenges. In this context, greater transparency and accountability in the use of public resources could reinforce the credibility and durability of measures. It is also important for policymakers to move quickly on designing and implementing effective structural reforms to build dynamic and inclusive economies that generate more jobs. Promoting private sector growth and international trade, as well as attracting foreign direct investment inflows, will be key components of success. The international community can support positive change by providing better trade access for the region's products and services, financing, and policy advice.

Energy subsidy reform (discussed later in this chapter) combined with measures to protect the poor is a particular concern for these countries. Some countries have already started to implement this reform agenda and are making inroads in reducing fiscal and reserves pressures.

The IMF has committed more than US$8.6 billion in financing arrangements with Jordan, Morocco, and Yemen. As the financial year drew to a close, the IMF was in discussions on a possible arrangement with Egypt and a second program with Yemen, as well as discussions with Tunisia that led to the Executive Board's approving an SDR 1.15 billion (US$1.74 billion) Stand-By Arrangement shortly thereafter. More generally, the institution has been closely engaged with all the Arab countries in transition, providing policy analysis and capacity development support.

The Executive Board was kept informed of developments in Arab countries in transition during the year, with informal Board briefings in September 2012 and January and April 2013.

a See "Arab Countries in Transition: Economic Outlook and Key Challenges," IMF staff report prepared for the Deauville Partnership Ministerial Meeting (www.imf.org/external/np/pp/eng/2013/041613.pdf).

known as surveillance. Surveillance takes place at both the regional and global levels (multilateral surveillance) and for individual countries (bilateral surveillance), enabling the IMF to highlight risks to stability and growth and advise on needed policy actions.

The IMF's key instruments of multilateral surveillance are the *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor*. These twice-yearly publications, along with *Regional Economic Outlook* reports (see "Accountability" in Chapter 5), constitute the IMF's examination of economic and financial developments among the broader membership. Updates for the *World Economic Outlook* are issued twice a year.

The centerpiece of the IMF's bilateral surveillance is the Article IV consultation (see Web Box 3.1), usually held every year to assess economic and financial developments, prospects, and policies for each member country.[5] A total of 114 Article IV consultations were completed during the year (see Web Table 3.1). In the majority of cases (for this year, 100, or 87.7 percent), the staff report and other accompanying analysis are published on the IMF's website (unless the member objects).

The Executive Board reviews the implementation and effectiveness of surveillance periodically, including via a Triennial Surveillance Review. The most recent of these triennial reviews, concluded in October 2011,[6] emphasized five operational priorities: interconnectedness, risk assessments, financial stability, external stability, and traction. In addition, the review suggested a change in the IMF's legal framework for surveillance to facilitate an integrated and balanced approach to global economic and financial stability. The Managing Director's action plan for addressing these key issues was endorsed by the Board and published together with the review.

Decision on Bilateral and Multilateral Surveillance

In July 2012, the Executive Board took a significant step toward modernizing IMF surveillance and addressing the priorities of the 2011 Triennial Surveillance Review, adopting a Decision on Bilateral and Multilateral Surveillance—known as the Integrated Surveillance Decision. The decision provides a basis for the IMF to engage more effectively with members, strengthening IMF surveillance in a number of ways:

- It provides a conceptual link between the IMF's assessment of individual economies and global stability and clarifies that surveillance should focus on economic and financial stability both at the individual country and global levels.
- It makes Article IV consultations a vehicle not only for bilateral but also for multilateral surveillance, thus allowing for more comprehensive, integrated, and consistent spillover analysis. In particular, it allows the IMF to discuss with a member country the full range of spillovers from its policies when they may have a significant impact on global stability. Although members have no obligation to change policies as long as they promote their own stability, the decision encourages countries to be mindful of the impact of their policies on global stability.
- It promotes a more balanced treatment of domestic and exchange rate policies by adding guidance on the conduct of member countries' domestic policies, while maintaining the existing principles for exchange rate policies. It also stresses the contribution of the overall mix of policies to a country's domestic and balance of payments stability.
- It defines, for the first time, the scope and modalities of multilateral surveillance, including by laying out a framework for potential multilateral consultations.

In reaching the decision,[7] Executive Directors agreed that the integration of bilateral and multilateral surveillance would help fill important gaps in surveillance. In particular, they considered that clarifying the scope of multilateral surveillance would help improve the quality, effectiveness, and evenhandedness of IMF surveillance. At the same time, the decision maintains adequate flexibility to adapt surveillance as circumstances may require. Importantly, it does not, and cannot be construed or used to, expand or change the nature of members' obligations.

Executive Directors underscored that increased attention to multilateral surveillance should not come at the expense of the focus on issues relevant for the stability of individual economies. They welcomed the clarification in the decision that, to the extent that a member is promoting its own stability, it cannot be required to change its policies to better support the effective operation of the international monetary system. They emphasized that the framework for multilateral surveillance set out in the decision should not be exercised in a manner that leads to an excessive examination of a member's domestic policies.

Executive Directors considered it important to ensure the smooth implementation of the decision and agreed that leaving six months between its adoption and entry into force would allow sufficient time for both the IMF staff and country authorities to become fully familiar with the new framework. The decision took effect in January 2013.

Progress implementing the priorities of the 2011 Triennial Surveillance Review

In a November 2012 discussion,[8] Executive Directors welcomed progress made on the priorities set at the time of the 2011 Triennial Surveillance Review. They noted that many of the initiatives undertaken in the preceding year had already brought significant improvements in the focus of surveillance on interconnections, risks, financial stability, and external stability.

Interconnections. Executive Directors welcomed progress on the analysis of interconnections. They agreed that further strengthening of this work was necessary to improve the identification of risk transmission channels and to further leverage spillover analysis and cross-country work in surveillance.

Risks. Executive Directors agreed that the focus of surveillance on risks had sharpened (for example, see "Joint IMF–Financial Stability Board Early Warning Exercise" later in this section) and that the use of risk assessment matrices in staff reports had contributed to this effect, helping to ensure consistency of messages across various surveillance products. They agreed that a candid discussion of risks should be included in all country reports. Most supported further progress on the quantification of global risks, which would provide a basis for country teams to identify the impact of global risks on individual economies.

Financial stability. Executive Directors stressed the need to continue efforts to integrate financial surveillance into Article IV consultations and multilateral surveillance, as highlighted in the IMF's financial surveillance strategy (discussed later in this section). They noted the progress on following up on Financial Sector Assessment Program (FSAP) recommendations in Article IV staff reports, but suggested more could be done to integrate assessments of macro-financial linkages in surveillance.

External stability. Executive Directors noted that the pilot External Balance Assessment and the Pilot External Sector Report (see previous section) may have contributed to a stronger focus on external stability for a limited number of countries and recommended that the new approaches be extended to the wider membership. To strengthen the credibility of these efforts, assessment methods should be refined further, it was noted, including by taking full account of country-specific factors, and the external assessment for countries not covered under the new methodology should also be improved.

Traction. Executive Directors emphasized the importance of the relevance and quality of IMF surveillance in generating traction. They called for systematic follow-up on issues raised in previous Article IV consultations and noted that enhanced communication to policymakers on key messages and risks, including through the Managing Director's *Global Policy Agenda*, could help.

Resources. Executive Directors noted that implementing the IMF staff's proposed recommendations was unlikely to be cost neutral, although some argued that resources should be provided through cost savings. Many stressed the importance of closer cooperation across departments to enhance both efficiency and quality of surveillance.

Review of progress in members' provision of data for surveillance purposes

Also in November 2012, the Executive Board considered a policy paper on the provision of data to the IMF for surveillance purposes. In addition to reviewing recent trends in data provision, the paper discussed how initiatives to close data gaps could help address the priority areas identified in the 2011 Triennial Surveillance Review. It also proposed improving reporting of data deficiencies and strengthening the focus on financial sector data. Finally, it discussed ensuring greater consistency among plans to improve data in the context of the General Data Dissemination System (GDDS; see "Data and Data Standards Initiatives" in Chapter 4), technical assistance, and data deficiencies identified in Article IV consultations.

In discussing the paper,[9] Executive Directors considered that the data provision framework in place remained adequate. Nevertheless, they agreed that there remained scope for strengthening implementation of the framework within the existing resource envelope, drawing on the conclusions of the 2011 Triennial Surveillance Review and the data gaps revealed by the global crisis.

Executive Directors saw merit in improving clarity and candor in assessing and communicating the adequacy, quality, and timeliness of data provision to the IMF, along the lines proposed in the paper. They supported the paper's proposals to identify more prominently in Article IV staff reports the main data deficiencies that hamper surveillance, progress in implementing past recommendations, and data sources.

Executive Directors stressed the importance of financial sector data for both the IMF and member countries, noting that data limitations may impede financial and external stability assessments. They supported modifying the Statistical Issues Appendix in Article IV staff reports to focus more on data for financial sector surveillance and, where relevant, progress on the Group of Twenty (G-20)/IMFC Data Gaps Initiative and on adherence to the recently approved Special Data Dissemination Standard Plus (SDDS Plus; see "Data and Data Standards Initiatives" in Chapter 4) for countries that have indicated their intention to adhere to the initiative, while also making further progress in areas in which the conceptual statistical framework needs development.

Executive Directors broadly supported further efforts to improve key data sets: International Investment Position, Currency Composition of Foreign Exchange Reserves (COFER), financial soundness indica-

Left Vendors on a floating market on the Mekong River in Vietnam
Right Spices for sale at a market in Jerusalem

tors, general government debt, and monetary and financial data, including through the adoption of standardized reporting forms.

Executive Directors stressed the importance of working closely with other international agencies to fill data gaps while minimizing the reporting burden for countries. In particular, they encouraged the staff to continue to cooperate closely with the Financial Stability Board (FSB) in developing a data set for global systemically important financial institutions, with appropriate data-sharing procedures among official institutions on a strictly confidential basis.

Executive Directors agreed that the next review of data provision should take place in 2017.

Strategy for financial sector surveillance

Although financial deepening and globalization have brought important benefits, the increased size and complexity of financial systems, coupled with the significant scale and pace of capital flows, now inextricably link national economies to one another and expose them to financial shocks. In September 2012 the Executive Board adopted a strategy for financial surveillance, a key recommendation of the 2011 Triennial Surveillance Review and the Managing Director's action plan for surveillance.[10]

Executive Directors noted that the strategy is appropriately ambitious, but focused, to ensure effective use of scarce resources, and they welcomed its prioritized activities and specific time frames for further strengthening financial surveillance. They broadly endorsed its three pillars: (1) improving risk identification and macro-financial policy analysis, (2) upgrading the instruments and products of financial surveillance to foster an integrated policy response to risks, and (3) increasing the traction and impact of financial surveillance by engaging more actively with stakeholders.

Executive Directors underlined the importance of strengthening the analytical underpinnings of macro-financial risk assessments and policy advice and broadly concurred with the policy areas identified for analysis in the strategy. In particular, with shocks that propagate rapidly through highly interconnected financial systems across countries, they stressed the importance of deepening the understanding of the nature and implications of cross-border linkages, vulnerabilities, and spillovers. They generally welcomed the IMF staff's work on developing a unified macro-financial framework, which would explore the interdependencies of real-financial sectors and improve understanding of linkages and interactions between macroeconomic and macro-prudential policies.

Executive Directors considered it a priority to strengthen and mainstream financial surveillance in Article IV consultations. They also underscored the importance of follow-up of FSAP recommendations in those consultations. Most could support the strategy's proposal for higher-frequency FSAP assessments for those countries that request them, prioritized according to clear criteria in line with existing policies.

Executive Directors noted the intention expressed in the strategy to have the IMF, with its universal membership, serve as a global facilitator on macro-prudential policy. They looked forward to further collaboration between the IMF and FSB in line with their respective mandates. They also supported deepening the collaboration with the World Bank on financial sector work.

Executive Directors acknowledged the challenges in implementing the strategy, including analytical roadblocks, information and data gaps, resource constraints, and limits to traction. They looked forward to the opportunity to review progress in implementation, including in the context of the 2014 Triennial Surveillance Review.

Guidance Note for Surveillance under Article IV Consultations

In October 2012, the IMF issued a Guidance Note for Surveillance under Article IV Consultations to assist IMF staff in conducting bilateral and multilateral surveillance in the context of those consultations.[11] The note emphasizes the operational priorities from the 2011 Triennial Surveillance Review and the Integrated Surveillance Decision. With regard to the latter, it confirmed the continued focus of surveillance on members' exchange rate policies while clarifying how the IMF can engage more effectively with members on their domestic economic and financial policies. The note also reflected the IMF's efforts to follow up on the 2011 Independent Evaluation Office (IEO) report on performance in the run-up to the global crisis.[12] The Executive Board was briefed on the guidance note in an informal meeting in September 2012.

Joint IMF–Financial Stability Board Early Warning Exercise

In 2009, the IMF introduced the Early Warning Exercise—to identify and assess low-probability but high-impact risks to the global economy—and has also developed analytic frameworks to assess vulnerabilities and emerging risks in advanced economies, emerging market economies, and low-income countries. The exercise is typically conducted (in collaboration with the FSB) twice each year, and the Executive Board was briefed on the results of the exercise in October 2012 and April 2013. Following discussions at the Board and with the FSB, the exercise's findings are presented to senior officials during the Spring and Annual Meetings.

Fiscal sustainability and structural reforms

Fiscal transparency, accountability, and risk

The last decade and a half has seen a concerted effort to develop a set of internationally accepted standards for fiscal transparency and to monitor and promote their implementation. This period has also witnessed a steady improvement in the comprehensiveness, quality, and timeliness of countries' public financial reporting. Nevertheless, understanding of governments' underlying fiscal positions and the risks to those positions remains inadequate.

In August 2012, the Executive Board met informally to consider a policy paper on fiscal transparency, accountability, and risk.[13] The paper argues for a revitalized fiscal transparency effort to address the shortcomings in standards and practices revealed by the crisis and guard against a resurgence of fiscal opacity in the face of growing pressures on government finances. It identifies required actions on three fronts. First, fiscal transparency standards need to be updated to address gaps in and inconsistencies among standards. Second, the IMF needs to adopt a more modular, analytical, and calibrated approach to evaluating country compliance with fiscal transparency standards. Third, national, regional, and international institutions need to strengthen incentives to improve fiscal transparency practices. Since the Board's meeting, work has been undertaken to update the IMF's fiscal transparency code and manual (expected to be completed by the 2013 Annual Meetings), including public consultations on the code revision and pilot transparency assessments for three countries, based on the revised framework.

Macroeconomic and fiscal policy in resource-rich developing countries

Natural resource revenues have important implications for macroeconomic and fiscal policy frameworks in resource-rich developing countries owing to the exhaustibility and volatility of resource revenues. These countries face the challenge of transforming resource wealth into other assets that support sustained development, while maintaining mechanisms to avoid the boom-bust cycles that stem from revenue volatility. Also, their distinct characteristics—low per capita incomes, scarce domestic capital, and limited access to international capital markets—make advice based on traditional consumption-savings/investment theories inadequate. In this context, increasing the revenue potential of extractive industries in resource-rich countries has become an increasingly important element of IMF policy advice and technical assistance.

In an informal meeting in September 2012, the Executive Board considered two policy papers addressing issues for resource-rich developing countries. The first paper concerns macro-fiscal frameworks and policy analysis tools for these countries that could enhance IMF policy advice.[14] It puts forward five key innovations: (1) a fiscal sustainability framework that accounts for the growth- and revenue-enhancing impact of public investment, (2) a tool to support sustainable investment by analyzing the fiscal and macroeconomic implications of saving/investment scaling-up scenarios, (3) a set of proposed fiscal indicators to measure savings from and use (consumption or investment) of resource flows, (4) a new toolkit to design fiscal rules that smooth revenue volatility and assess long-term fiscal sustainability, and (5) a framework that generates current account benchmarks to analyze external sustainability in these countries.

The second paper focuses on the design and implementation of fiscal regimes for extractive industries.[15] It sets out the analytical framework underpinning, and key elements of, country-specific advice given and suggests ways of better realizing the revenue potential, particularly in developing countries. It observes that designing fiscal regimes for extractive industries involves complex trade-offs among employment, environmental impacts, and revenue objectives.

Lessons and implications of energy subsidy reform

Energy subsidies impose substantial fiscal and economic costs in most regions, with a commensurate adverse impact on fiscal balances and public debt. For many low- and middle-income countries, the fiscal costs have been substantial and pose even greater fiscal risks if international prices continue to increase.

In February 2013, the Executive Board was briefed informally on a policy paper reviewing country experience with energy subsidies and exploring implications of subsidy reform.[16] Drawing on countries' experiences, the paper outlines key elements of subsidy reform:

- a comprehensive energy reform plan with clear long-term objectives, analysis of the impact of reforms, and consultations with stakeholders;
- an extensive communications strategy, supported by improvements in transparency;
- appropriately phased price increases, which can be sequenced differently across energy products;
- improving the efficiency of state-owned enterprises to reduce reliance on subsidies;
- targeted measures to protect the poor; and
- institutional reforms that depoliticize energy pricing.

Capital flow management and macro-prudential policy

Executive Board discussions in the area of monetary policy during the year dealt with capital flows and the interactions of monetary and macro-prudential policy.

Capital flows

Capital flows have important benefits for individual countries and for the global economy, including by enhancing financial

Left IMF Economic Counsellor Olivier Blanchard (left), Bank of Israel Governor Stanley Fischer (center), and Economist Ted Truman (right) at "Liberalization and Management of Capital Flows" seminar at the 2013 Spring Meetings **Right** Oil refinery in Vienna, Austria

sector competitiveness, facilitating productive investment, and easing the adjustment of imbalances. However, the size and volatility of flows, as witnessed in recent years, also pose policy challenges. It is therefore important that the IMF be in a position to provide clear and consistent advice to members with respect to capital flows and policies related to them. In this regard, in 2011 the IMFC requested work on a "comprehensive, flexible, and balanced approach for the management of capital flows, drawing on country experiences."

Liberalization and management of capital flows

In two meetings in November 2012, the Executive Board concluded its discussions regarding the liberalization and management of capital flows.[17] In the policy paper that formed the basis for the Board's discussion, the IMF staff proposed an institutional view that builds on countries' experience in recent years, previous IMF policy papers and Board discussions on capital flows,[18] and recent analytical research.

Most Executive Directors agreed that the institutional view proposed in the paper provided a good basis for IMF policy advice and, where relevant for bilateral and multilateral surveillance, assessments on issues of liberalization and management of capital flows. Many Executive Directors emphasized that the role of source countries in capital flows should be adequately integrated into the institutional view. Executive Directors underscored that the institutional view in no way alters members' rights and obligations under any international agreements, including the Articles of Agreement.

Executive Directors observed that a country's net benefits from liberalization, and therefore its appropriate degree of liberalization, would depend on its specific circumstances, notably the stage of its institutional and financial development. They agreed that there should be no presumption that full liberalization is an appropriate goal for all countries at all times, although a number of them viewed capital account liberalization as a worthy long-term goal for all countries.

Executive Directors emphasized that capital flow liberalization needs to be well planned, timed, and sequenced, to minimize possible adverse domestic and multilateral consequences. Most viewed the "integrated approach" to liberalization as appropriate,[19] consistent with countries' individual circumstances, particularly their institutional and financial development, and taking into account macroeconomic and financial sector prudential policies.

Executive Directors emphasized that macroeconomic policies—monetary, fiscal, and exchange rate management—have to play a key role in managing inflow surges or disruptive outflows, supported by sound financial supervision and regulation and strong institutions. They agreed that, in certain circumstances, capital flow management measures, that is, measures designed to limit capital flows, can be useful and appropriate. They stressed that such measures should not substitute for warranted macroeconomic adjustment.

Executive Directors generally agreed that capital flow management measures should seek to be targeted, transparent, and temporary, and should be lifted once inflow surges abate or disruptive outflow pressures subside; that such measures should seek to avoid discriminating on the basis of residency; and that the least-discriminatory measure that is effective should be preferred. They concurred that certain capital flow management measures can continue to be useful over the longer term for safeguarding financial stability.

Most Executive Directors concurred that policies in source countries play an important role in promoting the stability of the international monetary system, and that accordingly policymakers should seek to better internalize the risks associated with their policies. Executive Directors stressed that better cross-border coordination of relevant policies, including at the regional level, would help mitigate the riskiness of capital flows.

Executive Directors noted that the IMF's legal framework for surveillance had long recognized the importance of capital flows and policies to manage them, even though the institution's mandate with respect to international capital movements is more limited than that on payments and transfers for current international transactions. With this in mind, most Executive Directors noted that the IMF is well placed to provide policy advice and, where relevant and in accordance with the Integrated Surveillance Decision (see discussion earlier in the chapter), assessments on issues related to capital flows, in close cooperation with country authorities. Specifically, most Executive Directors endorsed the proposal set forth in the policy paper for use of the institutional view in policy advice and in bilateral and multilateral surveillance. Moreover, many Executive Directors stressed the need for surveillance in important source countries to assess properly the potential impact of policies on cross-border capital flows.

Guidance Note on Liberalization and Management of Capital Flows

Given the importance of providing operational clarity on the institutional view, a Guidance Note on Liberalization and Management of Capital Flows was developed, and the Executive Board was briefed on it in April 2013.[20] The guidance note explains that the institutional view provides a basis for consistent advice and assessments when relevant for surveillance, but there are no mandatory implications for IMF-supported programs.

The guidance note advises that application of the institutional view will need to reflect country circumstances. It encourages the IMF staff to incorporate in staff reports, and find ways to disseminate among the staff, policy lessons from country cases, interactions with authorities, and new analysis on capital flow liberalization and management.

Interaction of monetary and macro-prudential policies

The global crisis showed that price stability does not guarantee macroeconomic stability. Including financial stability as an additional objective thus requires macro-prudential tools that can target specific sources of financial imbalances. Effective macro-prudential policies (which include a range of constraints on leverage and the composition of balance sheets) can then potentially limit risks ex ante and help build buffers to absorb shocks ex post.

In January 2013, the Executive Board held an informal discussion on the interaction between monetary and macro-prudential policies. The policy paper provided to the Board for discussion finds that ideally, with macro-prudential policies perfectly targeting the sources of threats to financial stability, monetary policy should remain primarily focused on price and output—but that the conduct of both policies would need to take into account the effects they have on one another's main objectives.[21]

Additionally, the paper observes that interaction between monetary and macro-prudential policies has implications for institutional design, while acknowledging that the policy interactions are not fully known, institutions are imperfect, and political economy and other constraints can arise. Nevertheless, policy coordination can improve outcomes, making it advantageous to assign both policies to the central bank. However, concentrating multiple objectives in one institution can muddy its mandate, complicate accountability, and reduce credibility. Thus, safeguards are needed to distinguish between the two policy functions through separate decision making, accountability, and communication structures.

LOW-INCOME COUNTRIES

Throughout the global crisis, the IMF has remained committed to meeting the changing needs of low-income countries. In addition to increasing the financial support available to these countries, other reforms have included overhauling the institution's lending framework, streamlining loan conditionality, and reducing to zero the interest charges on concessional IMF loans for low-income countries through the end of 2014.[22]

The following subsections discuss the IMF's continuing efforts in support of these countries during the year. However, a March 2013 Executive Board meeting on debt limits in IMF-supported programs with low-income countries is discussed in Chapter 4.

Review of facilities for low-income countries and eligibility for concessional financing

When the IMF reformed its facilities for low-income countries in 2009, the Executive Board requested that experience with the new architecture be reviewed after three years. Two Board discussions during the year provided an opportunity to conduct such an assessment.

Review of facilities

At the first stage of the review, in September 2012,[23] Executive Directors considered that the 2009 reforms had been broadly successful in creating a streamlined architecture of facilities better tailored to low-income countries' needs. They noted that the central challenge ahead would be to preserve the IMF's ability to provide financial support to these countries in the face of a sharp prospective drop in its concessional financing capacity after 2014.[24]

Noting that access levels at the time of the discussion appeared broadly appropriate on average, most Executive Directors saw merit in keeping access unchanged in special drawing right (SDR) terms when the Fourteenth General Review of Quotas becomes effective, which would imply a corresponding decrease in access in percentage of quota.[25] Executive Directors recognized that access would need to be raised in the future as financing needs increased, based on a careful assessment of projected financing needs and available resources. Although the terms of financing arrangements through the PRGT appeared on average to strike the right balance between concessionality and financing capacity, most Executive Directors saw merit in greater differentiation of financing terms, particularly through greater use of blending of nonconcessional and concessional financing.

Executive Directors generally saw merit in exploring refinements to increase the flexibility of existing instruments to provide contingent financing and policy support to low-income countries, rather than creating a new instrument. They also generally saw room for improvements to certain design aspects of the facilities—including proposed refinements aimed at refocusing the Poverty Reduction Strategy on substance rather than process, in consultation with the World Bank.

In the second stage of the review, in April 2013,[26] the Board considered specific refinements in the areas of blending and access, precautionary support, the Policy Support Instrument framework,[27] and arrangements under the Standby Credit Facility and Extended Credit Facility. Most Executive Directors supported enhancing the blending policy along the lines of the first approach set out in the related policy paper, which enhances blending incrementally while maintaining broadly the existing rules to determine which countries are presumed to blend.[28] Most considered that access norms and limits, which had doubled in 2009, were broadly appropriate in nominal terms. Accordingly, and also taking into account the nature and scarcity of the IMF's concessional resources, these Executive Directors agreed that, once the quota increase under the Fourteenth General Review of Quotas becomes effective, access norms and limits as a percentage of quota and the quota levels that determine the application of the procedural safeguards should be reduced by half. Executive Directors saw a need to review these limits regularly in light of low-income countries' evolving financing needs. They supported the proposed increase in the cumulative access limit under the Rapid Credit Facility.

Executive Directors generally welcomed the proposals to augment access between scheduled reviews for on-track arrangements under the Extended Credit Facility and Standby Credit Facility in case of an acute increase in the member's underlying balance of payments problems that cannot await the next scheduled review. They supported relaxing rules under the Standby Credit Facility to encourage its use as precautionary, including permitting greater front-loading of support and easing time limitations on repeated use of arrangements treated as precautionary. It was felt that easing of requirements on documentation, timing of staff report issuance, and review schedules, as well as extension of the initial duration, would help enhance the Policy Support Instrument's attractiveness.

Executive Directors endorsed proposed refinements to Extended Credit Facility arrangements to allow longer duration and greater flexibility in setting their review schedules. They also welcomed other proposals for operational streamlining. They noted that timely termination of defunct Extended Credit Facility arrangements would help unlock PRGT resources that would otherwise remain committed.[29] Most Executive Directors also favored easing procedural requirements related to the Poverty Reduction Strategy.

Box 3.3

Call for greater coordination on global development

The UN Millennium Development Goals aim to end poverty and hunger, increase access to education and health care, improve gender equality, and ensure environmental sustainability. Emphasizing the need for coordinated efforts to achieve these goals by 2015, the leaders of the IMF, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank Group released a statement in February 2013, pledging close collaboration to support development and growth.[a] The statement coincided with the launch of the 2013 Millennium Development Goals conference in Bogotá, Colombia.

The leaders also pledged strong support for and collaboration with the UN-led process of defining the Post-2015 Development Framework, supporting an approach that integrates economic, social, and environmental sustainability. They pledged to work together to develop options for long-term investment to strengthen the foundations of growth and called for a renewed focus on financing for development, with greater leveraging of official development assistance and private sector investment, as well as better domestic resource mobilization and management and stronger institutions. They committed to harnessing their institutions' analytical and convening power to identify solutions to issues of inclusive growth, environmental sustainability, and long-term financing.

a See Press Release No. 13/60, "International Financial Institutions Call for More Coordination on Global Development" (www.imf.org/external/np/sec/pr/2013/pr1360.htm)

Executive Directors agreed to conduct the next review of the facilities for low-income countries on the standard five-year cycle, noting that the review could be brought forward if warranted, while access norms and limits would be reviewed as warranted, in light of regular updates on the use of PRGT resources and projected needs, and future quota increases.

Review of eligibility for concessional financing

In April 2013, the Executive Board also reviewed the IMF's framework for determining eligibility to use its concessional resources, including the criteria for determining PRGT eligibility and the list of PRGT-eligible countries. Executive Directors broadly supported the proposals, including transitional arrangements.

Executive Directors highlighted the need to maintain a transparent and rules-based framework for PRGT eligibility that ensures uniformity of treatment among members in similar circumstances. They also reiterated the importance of preserving the IMF's scarce concessional resources for members with a low income level and vulnerabilities, and closely aligning eligibility with the objectives of the PRGT and with practices in the International Development Association. They broadly welcomed the proposed special provisions for very small states (microstates) in the PRGT eligibility framework,[30] in view of the unique challenges these states face.

Executive Directors agreed to conduct the next review of PRGT eligibility in 2015, noting that the framework allows for interim updates where warranted by the existing criteria and requirements.

Vulnerability Exercise for Low-Income Countries

In 2011 the IMF developed an analytical framework to assess vulnerabilities and emerging risks in low-income countries. Using this framework, the IMF conducts an annual Vulnerability Exercise for Low-Income Countries.

In November 2012, the Executive Board met to discuss a report on the results of the 2012 exercise.[31] Executive Directors considered appropriate and timely the report's focus on risks to low-income countries from a sharp downturn in global growth, a more protracted slowdown in growth, and a spike in food and fuel prices. They concurred with the IMF staff's policy recommendations, while emphasizing the importance of a more discriminating analysis based on individual country or regional differences. They called on the staff to take concrete steps to incorporate these recommendations into IMF surveillance, financing programs, and technical assistance.

Executive Directors encouraged low-income countries to continue to rebuild policy buffers, while balancing adjustment against the need to maintain or raise growth and preserve priority spending. They highlighted several broad priorities for stoking domestic engines of growth to substitute for weaker global demand and reduce the impact of external shocks: deepening financial sector development, developing domestic debt markets, strengthening financial regulation and supervision, improving the business climate, and better targeting investments in infrastructure to increase productivity and long-term inclusive growth.

Executive Directors agreed that, to avoid aggravating the negative economic and social impact of a sharp slowdown of global growth, countries with sufficient fiscal room should seek to maintain growth-friendly spending, particularly on infrastructure. They noted, however, that with donors facing severe budget constraints, some low-income countries might find it difficult to finance increasing deficits and that some adjustment would be appropriate and inevitable. Executive Directors emphasized that the impact of a protracted global growth slowdown would be more substantial over the medium term, given the potential permanent output losses that accumulate over time.

Executive Directors noted that many low-income countries remained highly vulnerable to global commodity price shocks. They observed that the fiscal exposure to commodity price shocks could be significantly reduced by eliminating domestic food and fuel price controls while building effective social safety nets. They also noted that monetary policy should respond quickly to such shocks to curb second-round inflationary pressures.

Executive Directors noted the potential increased demand on IMF resources if these risks materialized. In this regard, they reiterated the importance of the institution's having adequate concessional resources (see "Poverty Reduction and Growth Trust" in Chapter 4).

Enhanced financial sector surveillance in low-income countries

The Executive Board considered a policy paper on enhanced financial sector surveillance in low-income countries in an informal meeting in May 2012. The paper advocates taking better account of the interplay between financial deepening and macrofinancial stability in IMF surveillance, as called for in the 2011 Triennial Surveillance Review.[32] The analysis identifies policy and institutional impediments in low-income countries that have a bearing on the effectiveness of macroeconomic policies, macrofinancial stability, and growth, focusing on the role of policies in facilitating sustainable financial deepening.

The paper points to a balance between market-friendly actions, appropriate macro-prudential oversight to avoid creating new sources of instability, and carefully calibrated public policy interventions. By highlighting aspects of financial systems that need to be taken into account in formulating macroeconomic policy advice, the paper takes a first step toward an approach to financial surveillance in low-income countries that goes beyond a focus on institutional solvency and effective market infrastructure to consider dimensions of financial deepening.

Heavily Indebted Poor Countries Initiative/ Multilateral Debt Relief Initiative

The IMF and World Bank launched the Heavily Indebted Poor Countries (HIPC) Initiative in 1996, as part of a comprehensive approach to debt reduction designed to ensure that no poor country faces a debt burden it cannot manage. To be considered for assistance under the initiative, a country must meet certain criteria.[33] Debt relief is provided in a two-step process: interim debt relief in the initial stage, referred to as the *decision point*, and when a country meets its commitments, full debt relief at the *completion point*. No additional countries reached their decision points during the year, and three countries—Comoros, Côte d'Ivoire, and Guinea—reached their completion points under the initiative.

As of April 30, 2013, of the 39 countries eligible or potentially eligible for HIPC Initiative assistance, 36 had reached their decision points; of these, 35 countries had reached their completion points. In total, debt relief of SDR 2.6 billion has been provided under the HIPC Initiative for these countries.[34]

In 2005, to help accelerate progress toward the UN Millennium Development Goals, the HIPC Initiative was supplemented with the Multilateral Debt Relief Initiative (MDRI). MDRI relief covers the full stock of debt owed to the IMF at the end of 2004 that remains outstanding at the time a country qualifies for such relief. The IMF has provided debt relief of SDR 2.3 billion (US$3.4 billion) under the MDRI, including debt relief to two non–heavily indebted poor countries. Although they reached the completion point under the HIPC Initiative, Afghanistan, Comoros, Haiti, and Togo had no MDRI-eligible debt with the IMF and therefore did not receive debt relief from the IMF under this initiative. Additionally, Côte d'Ivoire and Guinea had fully repaid their MDRI-eligible debt by the time they reached the completion point and also did not receive debt relief from the IMF under the MDRI.[35]

SMALL STATES

The IMF's smallest member countries share a number of intrinsic characteristics that translate into a common set of development challenges. Because of their small size, they have higher fixed and variable costs, with little scope to exploit economies of scale. In the public sector, this results in higher costs and reduced volumes of services provided; in the private sector, in concentrated market structure and a lack of diversification; and in trade, in high transport costs (which are exacerbated for the most remote small states). Small size also influences the financial sector and how small states manage their exposure to natural disasters. The Executive Board considered issues related to small states—the first comprehensive examination since 2000—in an informal briefing in December 2012 as well as a formal discussion in March 2013.

Macroeconomic issues in small states and implications for IMF engagement

At its March 2013 meeting, the Executive Board discussed a policy paper on macroeconomic issues in small states and implications for IMF engagement.[36] The paper examines the macroeconomic challenges unique to microstates, reviews the IMF's engagement in small states, and presents proposals to strengthen its effectiveness.

Left Deputy Managing Director Min Zhu addresses the Pacific Islands Seminar, "Global Shocks, Near-Term Challenges and Sustainable Growth," at the 2012 Annual Meetings **Right** A farmer rides a tractor while tilling the soil outside of Port-au-Prince, Haiti

Executive Directors recognized that small states had not matched the improved economic performance of larger countries since the late 1990s. With slower and more volatile growth than larger peers and higher public spending during this period, it was observed, a number of small states faced high debt burdens and reduced policy buffers. The ability of small states to manage economic shocks had also been hampered by their weak financial systems. Microstates faced particular challenges, marked by more volatile growth and external accounts and more costly banking services.

Executive Directors noted that the evidence suggests that small states are generally well served by the IMF's surveillance, technical assistance, and financing facilities, especially since the 2009 reforms to the institution's low-income facilities. They concurred that IMF policy advice should help small states rebuild policy buffers to the extent possible and strengthen institutions and governance. Many Executive Directors suggested that consideration be given to more frequent staff contacts between Article IV consultations, as well as the possibility of increasing the frequency of these consultations. Executive Directors suggested the possible preparation of a staff guidance note for IMF engagement with small states or an annex to the existing guidance note for Article IV consultations.

Executive Directors concurred that a strong analytical agenda, as well as an active dialogue with small-states communities, should inform the IMF's policy advice to small states and help strengthen the design and traction of economic adjustment programs. They encouraged the IMF staff to discuss its analysis with small states and associated development partners. Following this outreach, Executive Directors looked forward to discussing a more refined set of operational conclusions with resource implications.

PROGRAM DESIGN

An IMF-supported program is a package of policy measures that, combined with approved financing, is intended to accomplish specific objectives, such as orderly external adjustment, broad-based inclusive growth, and poverty reduction. Programs are formulated by countries in consultation with the IMF and in most cases are supported by an Executive Board–approved financing arrangement.

The Executive Board considered aspects of IMF program design on several occasions during the year. In addition to the review of conditionality in IMF programs, covered in the next subsection, the Board informally discussed crisis-related IMF programs in July 2012 and also discussed the IMF's policy on debt limits in IMF-supported programs (see Chapter 4).

2011 review of conditionality

Conditionality covers both the design of IMF-supported programs—that is, the underlying macroeconomic and structural policies—and the specific methods used to monitor progress toward the goals outlined by program countries. In addition, it helps create safeguards for the temporary use of IMF resources. The IMF reviews conditionality regularly as part of its effort to assess policies and adapt to a changing environment. The last review took place in 2004–05.

In September 2012, the Executive Board discussed a package of policy papers reviewing the conditionality, design, and effects of IMF-supported programs during the period 2002–September 2011.[37] Executive Directors generally agreed that the Guidelines on Conditionality remained broadly appropriate, although their implementation could be improved in several areas. They broadly endorsed the specific proposals put forward in the papers and welcomed the intention to modify the Operational Guidance Note on Conditionality in light of the conclusions reached at the meeting, complemented by ongoing efforts to improve debt sustainability analysis.

Executive Directors underscored the need to adhere strictly to the macro-criticality criterion for setting conditionality, with close scrutiny for conditionality outside the IMF's core areas of responsibility. They supported developing an approach for better risk diagnostics across a range of dimensions and tailoring robustness tests according to this assessment. They also saw room for further strengthening the discussion of systemic and contagion risks in programs involving exceptional access, especially where these risks have an impact on the robustness of debt sustainability.

Executive Directors encouraged more analysis of the social impact of policy measures in programs, in close cooperation with country authorities and institutional partners. They also supported, where feasible and appropriate, inclusion of policy measures to mitigate adverse short-term impacts on the most vulnerable, particularly in programs with high risks and large fiscal adjustment.

Executive Directors highlighted the importance of coordination and collaboration with other international institutions, and donors where relevant, to ensure adequate financing and coherent conditionality while avoiding duplication.

Executive Directors noted that implementing the recommendations made in the review would likely have some budgetary implications. They looked forward to a fully costed proposal in the context of budget discussions, taking into account the Board's discussion and the findings of the IMF staff's Working Group on Jobs and Inclusive Growth.[38]

4 CONFRONTING THE ONGOING GLOBAL CRISIS

CONFRONTING THE ONGOING GLOBAL CRISIS

MANAGING DIRECTOR'S GLOBAL POLICY AGENDA

In October 2012, the Managing Director presented her first *Global Policy Agenda* to the IMFC during the Annual Meetings. The agenda outlined a set of actions needed across the membership to secure recovery from the ongoing global crisis and to lay the foundation for a more robust global financial architecture.[39] It also detailed the IMF's role in assisting the membership with these formidable tasks, building on reforms to buttress the institution's framework.

The IMFC's communiqué[40] welcomed the directions set out in the agenda, observing that it shared the emphasis on the need to address the global crisis and build a strong foundation for future growth. Policies for jobs and growth, debt sustainability, repair of financial systems, and reducing global imbalances were identified as key priorities, with progress implementing these measures to be reviewed at the committee's next meeting.

In reviewing progress at the Spring Meetings in April 2013, the IMFC welcomed the Managing Director's April 2013 *Global Policy Agenda*.[41] That agenda urged policymakers to continue to nurse the recovery, repair systems damaged by the crisis, strengthen defenses against a recurrence, and anticipate new challenges from emerging global economic trends. The agenda cautioned that, in a world of interconnections, lagging policy momentum in some corners would soon affect all.

Supporting jobs and growth

The Articles of Agreement commit the IMF to "the promotion and maintenance of high levels of employment and real income." In the wake of the global crisis, unemployment has reached unprecedented levels in many countries, heightening the need to generate conditions for job creation and inclusive growth.

For this reason, at the onset of the crisis, the IMF supported a range of policies, depending on individual country circumstances, to boost demand—and thus employment—including temporary fiscal stimulus and easing of policy interest rates. In the longer run, boosting growth and job creation may require changes in a broader set of policies and institutions that influence the functioning of labor markets and the extent of job creation.

During the year, the Executive Board discussed the analytical and operational considerations associated with the IMF's role in providing advice on jobs and growth, as well as work on fiscal policy and employment in advanced and emerging market economies.

Jobs and growth: Analytical and operational considerations

In March 2013, the Executive Board discussed informally a policy paper on the role the IMF can play in helping countries devise strategies to meet the interconnected challenges of generating jobs and growth.[42] By reviewing the theoretical and

Box 4.1

Balancing growth and fiscal consolidation

As the crisis has lingered on, twin problems of low growth and high debt levels have become more pressing and increasingly interconnected. In this context, the pace of fiscal adjustment has been a hot topic of policy debate, particularly for advanced economies. The IMF has consistently emphasized that this is *not* a simple choice between austerity and growth, but a matter of getting the balance right.

Many advanced economies have steadily lowered their fiscal deficits, and some have come close to achieving primary surpluses that stabilize debt ratios. Even if stable, large deficits and high debt reduce potential growth and leave economies vulnerable to shocks. This has underscored the need for continued fiscal adjustment. At the same time, the outlook for jobs and growth remains a concern.[a]

Against this backdrop, the October 2012 *World Economic Outlook* examined past episodes of high public debt, drawing three main conclusions. First, reducing public debt takes time, especially in the context of a weak external environment. Second, successful debt reduction requires fiscal consolidation and a policy mix that supports growth. Third, fiscal consolidation must emphasize persistent structural reforms to public finances over temporary or short-lived fiscal measures.[b]

Following on from this, several broad principles have underpinned the IMF's policy advice in this area:[c]

- The most important element is to commit to a clear and specific medium-term plan to lower debt.
- The pace of adjustment needs to be calibrated on a country-by-country basis—more back-loaded if financing allows, more front-loaded if a country is under market pressure—to minimize the harm to growth.
- The mix of expenditure and tax reforms is critical to minimize the burden for the most vulnerable and ensure that fiscal policy is more supportive of growth over the longer term.
- Fiscal policy needs to be part of a comprehensive policy package, including monetary and structural policies, which can help bolster growth while deficits adjust.

Reflecting these principles, the IMF's fiscal advice to member countries, including those with IMF-supported programs, has been continually reviewed and adjusted as needed. For example, in the 2012 Article IV consultation with Portugal, Executive Directors considered the authorities' fiscal objectives to be appropriate, provided that economic developments remained as expected, but emphasized the importance of striking the right balance between fiscal consolidation and measures supportive of economic growth.[d] Such a pragmatic approach is essential to meeting the varying needs of member countries and changes in circumstances over time, including where the effects of consolidation may be worse in downturns.[e]

a See the Managing Director's April 2013 *Global Policy Agenda* (www.imf.org/external/np/pp/eng/2013/042013.pdf) and the April 2013 *Fiscal Monitor* (www.imf.org/external/pubs/ft/fm/2013/01/pdf/fm1301.pdf).

b See Chapter 3 of the October 2012 *World Economic Outlook* (www.imf.org/external/pubs/ft/weo/2012/02/pdf/c3.pdf). The April 2013 *Fiscal Monitor* (www.imf.org/external/pubs/ft/fm/2013/01/pdf/fm1301.pdf) draws similar conclusions on fiscal consolidation.

c See Annex 8 of the policy paper "Jobs and Growth: Analytical and Operational Considerations for the Fund" (www.imf.org/external/np/pp/eng/2013/031413.pdf), the April 2013 *World Economic Outlook* (www.imf.org/external/pubs/ft/weo/2013/01/pdf/text.pdf), and PR No. 13/129, "Communiqué of the Twenty-Seventh Meeting of the International Monetary and Financial Committee" (www.imf.org/external/np/sec/pr/2013/pr13129.htm).

d See Public Information Notice No. 13/07, "IMF Executive Board Concludes 2012 Article IV Consultation with Portugal" (www.imf.org/external/np/sec/pn/2013/pn1307.htm).

e October 2012 *World Economic Outlook* (www.imf.org/external/pubs/ft/weo/2012/02/pdf/text.pdf).

empirical state of the art in relevant policy research, the IMF attempts to provide the best evidence-based advice to countries. The paper's main finding is that there is no single "silver bullet" strategy for any country, nor is there any "one-size-fits-all" approach for all countries. Nonetheless, the paper observes, there is little disagreement that macroeconomic stability—low inflation and output volatility—is the essential foundation for any growth strategy.

The paper reviews IMF country and policy work and finds scope to improve analysis and policy advice, where relevant and consistent with the IMF's mandate, in several ways:

- more systematic analysis of growth and employment challenges, and identification of the most binding constraints on inclusive growth and jobs.
- more systematic integration of policy advice on tax and expenditure policy reforms to create conditions to encourage labor force participation, including among women; more robust job creation; more equity in income distribution; and greater protection for the most vulnerable.
- enhancing advice on labor market policies based on currently available empirical evidence and greater collaboration with other international institutions.

Fiscal policy and employment in advanced and emerging market economies

The Executive Board discussed a policy paper on fiscal policy and employment in advanced and emerging market economies in July 2012.[43] The paper identifies key structural labor market weaknesses in these economies and discusses the impact of fiscal policies on employment, providing a menu of tax and expenditure measures to boost employment. In advanced economies, the paper observes, better-designed tax and expenditure policies could significantly increase employment. In emerging markets, it concludes, structural reforms in labor, capital, and product markets are often more important than fiscal reforms for strengthening employment outcomes.

The effectiveness of reforms can vary considerably across economies, according to the paper, and will depend on labor market institutions, the nature of the unemployment, and administrative capacity. Employment-promoting policies can at times involve trade-offs with other public policy goals, the paper notes, and must be judged relative to fiscal constraints.

Debt sustainability

Public debt has been on the rise since 2008, particularly in advanced economies, where it has reached very high levels. The resulting debt overhang presents challenges for financial stability and economic growth. Against this background, issues associated with assessing debt sustainability and reducing vulnerabilities associated with high debt were a major focus of the IMF's work during the year.

Review of the policy on debt limits in IMF-supported programs

In March 2013, the Executive Board reviewed the IMF's debt limits policy,[44] adopted in 2009, to ensure that IMF-supported programs continue to help low-income countries strike the appropriate balance between debt sustainability and space to borrow for productive investments to support growth. Given the primary focus on low-income countries, this review left the debt limits policy applying to the rest of the membership broadly unchanged. The policy paper prepared for the Board meeting represented the first stage of the review, and a second paper, with specific proposals, is expected in early 2014.

Most Executive Directors agreed that the review of the implementation of the 2009 reform suggested that further modifications to the policy were needed to reduce uneven outcomes and address the complexity and potential for distortions in investment and financing decisions raised by the policy. Most concluded that establishing a unified debt limits framework by broadening the scope of the debt limits policy to encompass all borrowing, regardless of its terms, would provide stronger safeguards for debt sustainability without unduly constraining countries' ability to secure adequate external financing to support their development agendas.

Executive Directors stressed the importance of preserving incentives for low-income countries to borrow on concessional terms and for their lenders to provide such financing whenever possible. Many were of the view that the indicative target on the average concessionality of new financing, proposed in the policy paper, together with the proposed ceiling on aggregate borrowing, would satisfy this objective and welcomed the increased flexibility that the proposed reform would grant to low-income countries in managing their borrowing policies.

Most Executive Directors agreed that no changes to the design of debt limits in IMF-supported programs financed through the General Resources Account (GRA) were needed.

Box 4.2

Fiscally sustainable and equitable pension systems for Asia

Leading global experts and practitioners on pension issues gathered in Tokyo with policymakers from 16 Asian countries in January 2013 for a two-day conference, "Designing Fiscally Sustainable and Equitable Pension Systems in Asia in the Post-crisis World."[a] The conference was organized by the IMF's Fiscal Affairs Department and Regional Office for Asia and the Pacific, with the support of the Japanese government.

The challenge in advanced economies is to contain future increases in public pension systems as populations age, whereas emerging market economies need to expand pension coverage in a fiscally sustainable manner while their populations age rapidly. The conference also focused on equity issues, particularly the effects of different pension reform options on equity within generations and across generations.

A key message was that pension systems need to provide adequate income support for the elderly poor while remaining fiscally affordable and sustainable. Participants discussed the merits of raising retirement ages, both to improve viability of pension systems and to boost economic growth by raising labor supply. Particularly in emerging Asia, it is also important to increase the share of the elderly population receiving pensions and improve the management of private pension funds. For pension reforms to be effective, there must be a perception that they are fair and that, once implemented, they will not be reversed.

a See Press Release No. 13/08, "IMF Gathers Experts to Discuss Design of Fiscally Sustainable and Equitable Pension Systems in Asia" (www.imf.org/external/np/sec/pr/2013/pr1308.htm).

Left A trader in a futures pit in Chicago, Illinois **Right** A fisherman constructs a new fishing net at Bunfi Port in Conakry, Guinea

Executive Directors encouraged the IMF staff to conduct outreach with key constituencies, including country authorities, lenders, and other development stakeholders, to seek their input on the design of the final reform proposal.

Guidance Note on Public Debt Sustainability Analysis for Market Access Countries

Against the backdrop of increased concerns over public debt sustainability in advanced economies, the Executive Board reviewed the IMF's framework for fiscal policy and public debt sustainability analysis in market access countries in August 2011.[45] The review identified a number of areas in which debt sustainability analyses for market access countries could be improved, including realism of baseline assumptions, risks associated with debt profile, analysis of macro-fiscal risks, vulnerabilities related to level of public debt, and coverage of fiscal and public debt aggregates.

The IMF staff subsequently developed guidelines based on that review, and the Board was briefed in April 2013 on the Guidance Note on Public Debt Sustainability Analysis for Market Access Countries.[46] In line with the August 2011 Board review and the 2011 Triennial Surveillance Review, the guidance note introduces a risk-based approach that requires more analysis in countries facing greater risks and commensurately less in countries facing lower risks. It addresses data coverage and other design issues, presents the elements of a basic debt sustainability analysis, discusses the modules to be employed when deeper analysis is required, and sets out the reporting and procedural requirements for debt sustainability analyses.

Strengthening financial systems

In the wake of the global crisis, strengthening financial systems has been a priority for the IMF given the role played by weak financial institutions, inadequate regulation and supervision, and lack of transparency. The potential to undermine the effectiveness of monetary policy in supporting the recovery further underscores the need for progress in this area.

In addition to the work detailed in the following subsections, in December 2012, the Executive Board was briefed informally on progress in implementing the agenda for reform of the financial sector that has evolved out of efforts to learn from the crisis and take steps to avoid another. It also held an informal discussion on enhanced financial sector surveillance in low-income countries in relation to financial deepening and macro stability (see Chapter 3).

Key attributes of effective resolution regimes for financial institutions

In October 2012, the Executive Board was briefed informally on international efforts to identify good practices in regard to resolution regimes for financial institutions. The Key Attributes of Effective Resolution Regimes, adopted by the FSB and endorsed by the G-20 as a nonbinding international standard, identify an effective framework for the resolution of cross-border financial institutions. The key attributes specify essential features that should be part of the resolution framework at both the national and international levels, to make resolution feasible without severe systemic disruption and without exposing taxpayers to loss. These features include a comprehensive toolkit of resolution powers for national authorities to assume control of a financial institution from existing managers and owners; sell or merge the entity, transfer its assets and liabilities to third parties, or restructure its debt unilaterally; and support the resolution through a temporary stay on the execution of early termination rights under financial contracts. The policy paper provided to the Board for the briefing notes that the IMF staff is participating actively in the FSB's work to implement the key attributes and, when that work is concluded, the staff will seek appropriate authorization under the IMF's governance framework for the key attributes to be used as a new standard under the Reports on the Observance of Standards and Codes program.[47]

Revision of Guidelines for Foreign Exchange Reserve Management

In February 2013, the Executive Board endorsed revised Guidelines for Foreign Exchange Management developed by the IMF staff, supported by a small working group of central banks and monetary authorities from a number of countries, as well as the European Central Bank (ECB) and the Bank for International Settlements (BIS).[48] The revision to the guidelines was motivated by the observed underlying structural changes in reserve accumulation and changes in reserve management practices in response to ongoing developments in financial markets and the global crisis. It concentrates on reserve management objectives and strategy, transparency and accountability, institutional and organizational framework issues, and the risk management framework.

Application of the revised guidelines is expected to strengthen the international financial architecture, promote policies and practices that contribute to stability and transparency in the financial sector, and reduce member countries' external vulnerabilities. The revised guidelines will be used by the staff as a framework for technical assistance and for discussions in the context of IMF surveillance.

Global imbalances and spillovers

As noted in Chapter 3, the IMF is a forum for dialogue among member countries on the regional and international consequences of their economic and financial policies. Progress on the key elements of the IMF's work in this area during the year—for example, the Pilot External Sector Report and Spillover Report—was covered earlier in this report. Several of the priority areas identified in the 2011 Triennial Surveillance Review—in particular, interconnections, risks, and external stability—also have a direct bearing on global imbalances and spillovers.

The volatility of capital flows can pose important risks to stability, both for individual countries and globally, and the issue of when, how much, and how fast to liberalize capital flows has been one of the most contentious in the global economic policy debate for decades. During the year, the Executive Board endorsed an institutional view on the management of global capital flows to help give countries clear and consistent policy advice (see "Liberalization and Management of Capital Flows" in Chapter 3).

Work is ongoing in regard to implications of interconnectedness for both policy and surveillance. In particular, building on the revamped surveillance framework, analysis of multilateral policy consistency and cross-border spillovers has been enhanced.

POVERTY REDUCTION AND GROWTH TRUST

In providing concessional financing to its low-income member countries, the IMF draws on resources available for such financing through the PRGT. The institution determines which member countries are eligible to use concessional resources under the PRGT via a framework established for this purpose in 2010. The framework, reviewed every two years (see "Review of Eligibility for Concessional Financing" in Chapter 3 for the results of the most recent review), provides transparent criteria for Executive Board decisions regarding entry onto and graduation from the list of eligible countries.[49] The framework also includes special entry and graduation criteria for small countries and microstates, which are less stringent as regards per capita income to account for these countries' higher vulnerabilities.

In August 2012, the Executive Board added South Sudan, the IMF's newest member, to the list of member countries eligible for IMF concessional financing.[50] Applying the revised framework for PRGT eligibility approved in April 2013 (see "Review of Eligibility for Concessional Financing" in Chapter 3), Executive Directors also endorsed the proposed entry onto the PRGT eligibility list of Marshall Islands, Micronesia, and Tuvalu, as well as the proposed graduation of Armenia and Georgia. These decisions brought to 73 the number of low-income countries eligible for concessional financing.

At the time of the IMF's reform of its financing facilities for low-income countries in 2009, total projected demand for PRGT loans over the period 2009–14 was expected to be SDR 11.3 billion (US$17 billion). To provide additional resources for low-income-country financing, the Board approved in February 2012 a distribution to IMF members of SDR 700 million (US$1.1 billion) of the IMF's general reserve, a part of the windfall gold sales profits. That distribution took place in October 2012 (see "Gold Sales" in Chapter 5).

Distribution of remaining windfall gold sales profits

As part of a strategy to ensure the longer-term sustainability of the PRGT, Executive Directors approved, in September 2012, the distribution of SDR 1.75 billion (US$2.7 billion) from the general reserve attributable to the remaining windfall gold sales profits, in proportion to members' quota shares (see Chapter 5). The decision mandates that for the distribution to occur, members must give satisfactory assurances that an amount equivalent to at least 90 percent of the distribution (SDR 1.575 billion, or US$2.43 billion) will be made available to the PRGT. As of April 30, 2013, assurances had been received from the membership that SDR 1.3 billion (US$2.0 billion) in new subsidy contributions to the PRGT would be made available from the distribution.

The Executive Board also approved an IMF staff proposal for a strategy to establish a sustainable PRGT that aims to ensure that the institution has sufficient resources to meet projected demand for its concessional financing over the longer term. This strategy rests on the following pillars:

- a base envelope of about SDR 1.25 billion (US$1.93 billion) in annual financing capacity that is expected to cover concessional financing needs in normal periods.
- contingent measures, including bilateral fund-raising and temporary suspension of reimbursement of the GRA for PRGT administrative expenses, that can be implemented when average financing needs exceed the base envelope by a substantial margin for an extended period.
- a principle of self-sustainability, so that any future modifications to financing facilities for low-income countries would be expected to ensure that the demand for IMF concessional lending can be met with resources available under the first two pillars of this strategy under a plausible range of scenarios.[51]

In the Board discussion surrounding the decision,[52] some Executive Directors, concerned that implementing the framework could reduce access and/or restrict eligibility to facilities for low-income countries, underscored that any decisions on these aspects should be undertaken with due regard to these countries' financing needs. A number of Executive Directors emphasized that strengthened fund-raising from a broad spectrum of donors would further help to ensure long-term PRGT sustainability.

Extension of temporary interest waiver for low-income countries

In 2009, the Executive Board endorsed temporary relief from interest payments on all outstanding concessional loans for PRGT-eligible members, waiving all interest payments on PRGT loans through December 2011. The interest rate waiver was later extended to December 2012.

In December 2012, the Board approved the extension of the waiver by two years to the end of December 2014, in view of the ongoing global crisis.[53] It also approved a one-year postponement of the next review of PRGT interest rates to the end of 2014.

FINANCING

Nonconcessional financing activity during the year

The Executive Board approved five new arrangements under the IMF's nonconcessional financing facilities during the year, totaling SDR 75.1 billion (US$113.3 billion).[54] More than 90 percent of the new gross commitments (SDR 69.3 billion, or US$104.6 billion) was for two successor arrangements under the Flexible Credit Line for Mexico and Poland. Two Stand-By Arrangements were also approved (for Jordan, and Bosnia and Herzegovina) amounting to SDR 1.7 billion (US$2.6 billion). In addition, a new SDR 4.1 billion (US$6.2 billion) arrangement under the Precautionary and Liquidity Line for Morocco was approved, which the authorities have treated as precautionary.

Left Factory workers in Ayutthaya, Thailand **Right** A farmer cuts a cocoa fruit in Divo, Côte d'Ivoire

Table 4.1

IMF financing facilities

Credit facility (year adopted)[1]	Purpose	Conditions	Phasing and monitoring
CREDIT TRANCHES AND EXTENDED FUND FACILITY[3]			
Stand-By Arrangement (SBA) (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.
Extended Fund Facility (EFF) (1974) (Extended Arrangement)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term character.	Adopt up to 4-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.
Flexible Credit Line (FCL) (2009)	Flexible instrument in the credit tranches to address all balance of payments needs, potential or actual.	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record.	Approved access available up front throughout the arrangement period, subject to a midterm review after 1 year.
Precautionary and Liquidity Line (PLL) (2011)	Instrument for countries with sound economic fundamentals and policies.	Strong policy frameworks, external position, and market access, including financial sector soundness.	Large front-loaded access, subject to semiannual reviews (for 1- to 2-year PLL).
SPECIAL FACILITIES			
Rapid Financing Instrument (RFI) (2011)	Rapid financial assistance to all member countries facing an urgent balance of payments need.	Efforts to solve balance of payments difficulties (may include prior actions).	Outright purchases without the need for full-fledged program or reviews.
FACILITIES FOR LOW-INCOME MEMBERS UNDER THE POVERTY REDUCTION AND GROWTH TRUST			
Extended Credit Facility (ECF) (2010)[5]	Medium-term assistance to address protracted balance of payments problems.	Adopt 3- to 4-year ECF arrangements. ECF-supported programs are based on Poverty Reduction Strategy Papers (PRSPs) prepared by countries in a participatory process and integrating macroeconomic, structural, and poverty reduction policies.	Semiannual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews.
Standby Credit Facility (SCF) (2010)	To resolve short-term balance of payments and precautionary needs.	Adopt 12- to 24-month SCF arrangements.	Semiannual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews (if drawn).
Rapid Credit Facility (RCF) (2010)	Rapid assistance for urgent balance of payments needs where an upper-credit-tranche-quality program is not needed or feasible.	No review-based program necessary or ex post conditionality.	Usually in a single disbursement.

1 Except for that financed by the Poverty Reduction and Growth Trust (PRGT), the IMF's lending is primarily 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 special drawing rights (SDRs)—and the remainder in its own currency. An IMF loan is disbursed or drawn by the borrower's *purchasing* foreign currency or SDR assets from the IMF with its own currency. Repayment of the loan is achieved by the borrower's *repurchasing* its currency from the IMF with foreign currency or SDRs. ECF, RCF, and SCF concessional lending is financed by a separate Poverty Reduction and Growth Trust. For PRGT lending, the Executive Board agreed in April 2013 that once the quota increase under the Fourteenth General Review of Quotas becomes effective, access norms and limits as a percentage of quota should be reduced by half (see Chapter 5).

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 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 (15 basis points on committed amounts of up to 200 percent of quota; 30 basis points for amounts in excess of 200 percent and up to 1,000 percent of quota; and 60 basis points for amounts in excess of 1,000 percent of quota) applies to the amount that may be drawn during each (annual) period under a Stand-By, Flexible Credit Line, Precautionary and Liquidity Line, or Extended Arrangement; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement. For facilities for low-income members under the PRGT, an interest rate mechanism was established in 2009 linking the concessional interest rates to the SDR interest rate and regular reviews. At these reviews, the applicable interest rates are set as follows: if the average SDR interest rate observed in the most recent 12-month period is less than 2 percent, the interest rate for ECF and RCF loans shall be set at 0 percent per year, and at 0.25 percent per year for SCF loans; if the average SDR interest rate is 2 percent or more, up to 5 percent, the interest rate for ECF and RCF loans shall be set at 0.25 percent per year, and

Access limits[1]	Charges[2]	Schedule (years)	Installments
Annual: 200% of quota; cumulative: 600% of quota.	Rate of charge plus surcharge (200 basis points on amounts above 300% of quota; additional 100 basis points when outstanding credit remains above 300% of quota for more than three years).[4]	3¼–5	Quarterly
Annual: 200% of quota; cumulative: 600% of quota.	Same as above.	4½–10	Semiannual
No preset limit.	Same as above.	3¼–5	Quarterly
250% of quota for 6 months; 500% of quota available upon approval of 1- to 2-year arrangements; total of 1,000% of quota after 12 months of satisfactory progress.	Same as above.	3¼–5	Quarterly
Annual: 50% of quota; cumulative: 100% of quota.	Same as above.	3¼–5	Quarterly
Annual: 100% of quota; cumulative: 300% of quota.	0% through end of 2014.	5½–10	Semiannual
Annual: 100% of quota; cumulative: 300% of quota; precautionary: annual 75% of quota and average annual 50% of quota	Same as above.	4–8	Semiannual
Annual: 25% (shocks window, 50% of quota); cumulative (net of scheduled repayments): 100% (shocks window, 125% of quota).	Same as above.	5½–10	Semiannual

at 0.5 percent per year for SCF loans; if the average SDR interest rate is greater than 5 percent, the interest rate for ECF and RCF loans shall be set at 0.5 percent per year, and at 0.75 percent per year for SCF loans. A precautionary arrangement under the SCF is subject to an availability fee of 15 basis points per year on the undrawn portion of amounts available during each six-month period. In December 2012, the Executive Board agreed to extend an exceptional temporary interest waiver on concessional loans to the end of December 2014 in view of the global economic crisis.

3 *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.

4 Surcharge introduced in November 2000. A new system of surcharges took effect on August 1, 2009, replacing the previous schedule: 100 basis points above the basic rate of charge on amounts above 200 percent of quota, and 200 basis points on amounts above 300 percent of quota. A member with credit outstanding in the credit tranches or under the Extended Fund Facility on, or with an effective arrangement approved before, August 1, 2009, had the option to elect between the new and the old system of surcharges.

5 ECF previously known as Poverty Reduction and Growth Facility.

In total, by the end of April 2013, purchases[55] from the GRA reached SDR 10.6 billion (US$16 billion), with purchases by the three euro area program countries (Greece, Ireland, and Portugal) accounting for 90 percent of the total. Repurchases for the period amounted to SDR 14.6 billion (US$22.0 billion). Table 4.1 provides general information about the IMF's financing instruments and facilities, and Table 4.2 and Figure 4.1 detail the arrangements approved during the year, with Figure 4.2 offering information on financing amounts outstanding over the last 10 years.

Concessional financing activity during the year

The IMF committed loans amounting to SDR 0.4 billion (US$0.6 billion) during the year to its low-income member countries under the PRGT. Total concessional loans outstanding to 62 members amounted to SDR 5.9 billion (US$8.9 billion) at April 30, 2013. Detailed information regarding new arrangements and augmentations of access under the IMF's concessional financing facilities is provided in Table 4.3. Figure 4.3 illustrates amounts outstanding on concessional loans over the last decade.

The IMF continues to provide debt relief to eligible countries under the HIPC Initiative and the MDRI (see Chapter 3).

No assistance was provided through the Post-Catastrophe Debt Relief Trust during the year. This trust was established in June 2010 to allow the IMF to join international debt relief efforts when poor countries are hit by the most catastrophic of natural disasters.

Table 4.2

Arrangements under main facilities approved in FY2013

(Millions of SDRs)

Member	Type of arrangement	Effective date	Amount approved
NEW ARRANGEMENTS			
Bosnia and Herzegovina	24-month Stand-By	September 26, 2012	338.2
Jordan	36-month Stand-By	August 3, 2012	1,364.0
Mexico	24-month Flexible Credit Line	November 30, 2012	47,292.0
Morocco	24-month Precautionary and Liquidity Line	August 3, 2012	4,117.4
Poland	24-month Flexible Credit Line	January 18, 2013	22,000.0
Total			**75,111.6**

Source: IMF Finance Department.

Box 4.3

Safeguards assessments: Policy and outreach

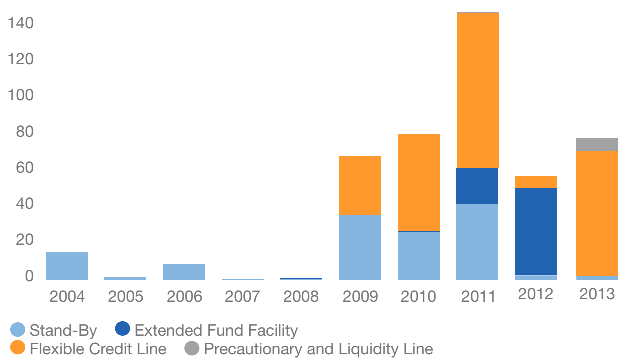
When the IMF provides financing to a member country, a safeguards assessment is carried out to obtain assurances that its central bank is able to adequately manage the resources it receives from the IMF and provide reliable information. Safeguards assessments are diagnostic reviews of central banks' governance and control frameworks and complement the IMF's other safeguards, which include limits on access, conditionality, program design, measures to address misreporting, and postprogram monitoring. The assessments are conducted independent of other IMF activities such as surveillance, program discussions, and technical assistance. To date, 249 assessments have been completed, and 11 were completed this year. The safeguards policy is subject to periodic reviews by the Executive Board; the last review, in 2010, marked the policy's tenth anniversary.

In line with a recommendation from the 2010 review that collaboration with stakeholders be enhanced, the IMF held a high-level forum on central bank governance in Dubai in March 2013 for more than 90 senior central bank officials and external auditors from Africa, Europe, and the Middle East. The forum focused on two functions that support governance at central banks: audit oversight, which is essential for accountability and transparency, and risk management. The cross-regional dialogue focused on challenges and leading practices identified by safeguards assessments in these areas. Participants highly valued the opportunity to learn from others, noting that for central banks there is no "one size fits all" and that strengthening governance is a continuous process. The forum complemented the IMF's regular series of safeguards seminars, which enable participants to share their experiences in strengthening governance, risk management, and transparency at their central banks. The past year saw the introduction of the safeguards seminar program to the syllabus of the newly established IMF–Middle East Center for Economics and Finance.

Figure 4.1

Arrangements approved during financial years ended April 30, 2004–13

(Billions of SDRs)

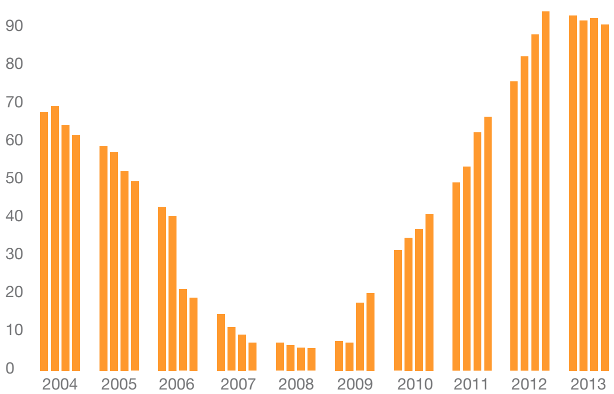


Source: IMF Finance Department.

Figure 4.2

Nonconcessional financing outstanding, FY2004–13

(Billions of SDRs)

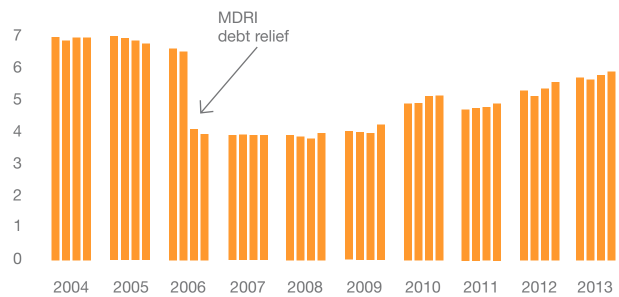


Source: IMF Finance Department.

Figure 4.3

Concessional financing outstanding, FY2004–13

(Billions of SDRs)



Source: IMF Finance Department.
Note: MDRI: Multilateral Debt Relief Initiative.

Table 4.3

Arrangements approved and augmented under the Poverty Reduction and Growth Trust in FY2013

(Millions of SDRs)

Member	Effective date	Amount approved
NEW THREE-YEAR EXTENDED CREDIT FACILITY[1] ARRANGEMENTS		
Central African Republic	June 25, 2012	41.8
Gambia, The	May 25, 2012	18.7
Liberia	November 19, 2012	51.7
Malawi	July 23, 2012	104.1
São Tomé and Príncipe	July 20, 2012	2.6
Solomon Islands	December 7, 2012	1.0
Subtotal		**219.8**
AUGMENTATION OF EXTENDED CREDIT FACILITY ARRANGEMENT[2]		
Burkina Faso	June 8, 2012	36.1
Subtotal		**36.1**
NEW STANDBY CREDIT FACILITY ARRANGEMENT		
Tanzania	July 6, 2012	149.2
Subtotal		**149.2**
DISBURSEMENT UNDER RAPID CREDIT FACILITY		
Mali	February 5, 2013	12.0
Subtotal		**12.0**
Total		**417.1**

Source: IMF Finance Department.
1 Previously Poverty Reduction and Growth Facility.
2 For augmentation, only the amount of the increase is shown.

ENGAGEMENT WITH OTHER ORGANIZATIONS

The IMF works collaboratively with a number of other organizations that are also involved in global economic issues, each with its unique areas of responsibility and specialization.

European Commission and European Central Bank

IMF participation, early in the global crisis, in financing for EU members facing balance of payments needs led to an extension of the IMF's collaboration with EU institutions, in particular with the European Commission (EC) and the ECB, later in the crisis, when euro area countries requested IMF support (see Box 3.1). This enhanced cooperation among the IMF, the EC, and the ECB in program countries has become known as the "Troika." Although the IMF coordinates closely with the other members of the Troika, the institution's decisions on financing and policy advice are ultimately taken by the Executive Board. The IMF also works closely with the EC on issues affecting low-income countries, including on the financing of capacity development.

Group of Twenty

The IMF's collaboration with the G-20 has increased since the onset of the global crisis. At the request of G-20 leaders, the IMF provides technical analysis to support the G-20's multilateral Mutual Assessment Process (MAP). The IMF staff—with input from other international institutions—was tasked initially with analyzing whether policies pursued by individual G-20 countries were collectively consistent with the G-20's growth objectives. In recent years, the staff has also been asked to help develop indicative guidelines to identify and evaluate large imbalances among members every two years. Collaborative work with the G-20 has extended beyond the MAP into other areas, including the G-20 Data Gaps Initiative, which works on ways to address gaps in data revealed by the global crisis.

The Executive Board was briefed informally by the Managing Director in November 2012 about the IMF's work with the G-20; it is also briefed regularly on IMF management's participation in G-20 meetings. The Board also receives periodic briefings on the MAP and IMF participation in it.

Financial Stability Board

The FSB brings together government officials responsible for financial stability in the major international financial centers, international standard-setting bodies, committees of central bank experts, and international financial institutions.

The IMF formally accepted membership in the FSB in September 2010. Following the FSB's recognition as an association under Swiss law in January 2013, the FSB invited all of its members to join the new association, and the Executive Board approved the IMF's acceptance of membership in the FSB as an association under Swiss law in March 2013.[56] Executive Directors noted that collaboration between the IMF and the FSB would continue to be guided by each institution's mandate, with the IMF taking the lead on surveillance of the global financial system and the FSB on regulatory and supervisory matters. They noted that the IMF's participation in the FSB as a member would not compromise the IMF's independence and that the IMF would continue to be protected by its own privileges and immunities under Swiss law. They also noted that the acceptance of membership in the association would not create specific legal obligations for the IMF, although members must, of course, act in good faith in their dealings with the association.

In approving the IMF's acceptance of membership, Executive Directors underscored that the IMF would (1) participate in the association in accordance with the IMF's legal framework and policies; (2) reserve the right not to take part in, or be bound by, the association's decision making on policymaking and related activities, where such participation would not be consistent with the IMF's legal or policy framework; and (3) be prepared, if the association reached a decision on a policy-related matter, to support that decision only to the extent that it was consistent with the IMF's legal and policy framework.

The IMF also collaborates with the FSB on twice-yearly Early Warning Exercises and the Early Warning List (see "Joint IMF–Financial Stability Board Early Warning Exercise" in Chapter 3). It is represented on the FSB's Steering Committee. The IMF regularly participates in various working groups and works with the FSB in connection with the G-20 Data Gaps Initiative; it has worked as well on a joint FSB, IMF, and World Bank report to the G-20 on the effects of regulatory reform on emerging market economies and developing countries.

World Bank Group

The staffs of the IMF and World Bank collaborate closely on country assistance and policy issues that are relevant for both. IMF assessments of a country's general economic situation and policies provide input to the World Bank's assessments of potential development projects or reforms. Similarly, World Bank advice on structural and sectoral reforms is taken into account by the IMF in its policy advice. Under the Joint Management Action Plan on World Bank–IMF Collaboration, IMF and World Bank country teams discuss their country-level work programs, which identify macro-critical sectoral issues, the division of labor, and the work needed from each institution in the coming year.

Through the HIPC Initiative and MDRI (see Chapter 3), the IMF and World Bank Group work together to reduce the external debt burdens of the most heavily indebted poor countries. The two institutions also cooperate to alleviate poverty based on a shared Poverty Reduction Strategy Paper approach—a country-led plan for linking national policies, donor support, and the development outcomes needed to reduce poverty in low-income countries. Their collaborative *Global Monitoring Report* assesses progress toward achieving the Millennium Development Goals; the 2013 edition had rural-urban dynamics as a central theme. The two institutions also work together to make financial sectors in member countries resilient and well regulated, via the FSAP.

United Nations

The IMF has a Special Representative to the United Nations and maintains an office in New York. Collaboration between the IMF and the United Nations covers areas of mutual interest, including cooperation on tax issues and statistical services of the two organizations, as well as reciprocal attendance and participation at regular meetings and specific conferences and events. The IMF participated actively in the UN Conference on Sustainable Development in Rio de Janeiro in June 2012. IMF staff members are also part of a UN System Task Team established to provide technical and analytical support to the member-driven process that has been launched to follow up on the commitments made at the conference and define the Post-2015 UN Development Agenda, including Sustainable Development Goals for the period after the expiration of the current Millennium Development Goals.

Deauville Partnership

The IMF participates in the Deauville Partnership with Arab Countries in Transition, launched in May 2011, which includes regional partner countries, the Group of Eight, and regional and international financial institutions. Through a dedicated Deauville Partnership coordination platform, the regional and international financial institutions participating in the partnership ensure effective support for the partner countries; facilitate information sharing, mutual understanding, and operational dialogue with the partner countries; coordinate monitoring and reporting of joint actions in support of the partnership; and identify opportunities for collaboration on financial assistance, technical assistance, and policy and analytical work. In particular, Morocco and Tunisia received technical assistance during the year, on developing local-currency capital markets, delivered through collaboration between the African Development Fund, Arab Monetary Fund, European Bank for Reconstruction and Development, European Investment Bank, IMF, and World Bank.

CAPACITY DEVELOPMENT

Capacity development—the transfer of technical knowledge and best practices—is one of the IMF's core activities and is integrated with surveillance and lending. The IMF's technical assistance and training helps member countries equip themselves to design and manage policies that promote sustainable economic growth.

To strengthen its strategic approach to capacity development, in May 2012, the IMF merged the IMF Institute and Office of Technical Assistance Management, establishing the new Institute for Capacity Development (ICD). In its first year, ICD's key achievements included the following:

- Agreement was reached to establish a regional training center (RTC), the Africa Training Institute (ATI), in Mauritius to serve sub-Saharan Africa.[57] The ATI will tailor IMF training to the growing and specific needs in sub-Saharan Africa, bringing the region's training volume on par with those of other regions. Colocated with the IMF's Africa Regional Technical Assistance Center (AFRITAC) South, the ATI will also allow closer integration of technical assistance and training and promote administrative savings.

- The groundwork was laid for a new regional technical assistance center (RTAC) in Ghana.[58] AFRITAC West 2 will complement the four other AFRITACs (in Côte d'Ivoire, Gabon, Mauritius, and Tanzania). It is expected to open in late 2013 and will serve Cape Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone. It will be the ninth in a worldwide network of RTACs that work closely with members and are funded by partnerships among donors, beneficiary countries, and the IMF. In addition, with donors' and recipient countries' support, activities in many RTACs were scaled up during the year.

- A seminar cosponsored by the Austrian Central Bank, Austrian Finance Ministry, and IMF in July 2012 brought together policymakers, academics, and representatives of international institutions to discuss lessons from the global crisis, including on new directions for capacity development. The seminar marked the twentieth anniversary of the Joint Vienna Institute,[59] which was launched in 1992 by the IMF, four other international organizations, and the Austrian authorities.

Technical assistance initiatives

To address rising demand, the IMF has increased delivery of technical assistance, which is financed in partnership with donors, to help member countries better respond to the global crisis and build institutional capacity. Four IMF departments—Fiscal Affairs, Legal, Monetary and Capital Markets, and Statistics—have primary responsibility for technical assistance delivery. The main recipients of technical assistance during the year were low- and middle-income countries (see Figure 4.4).[60]

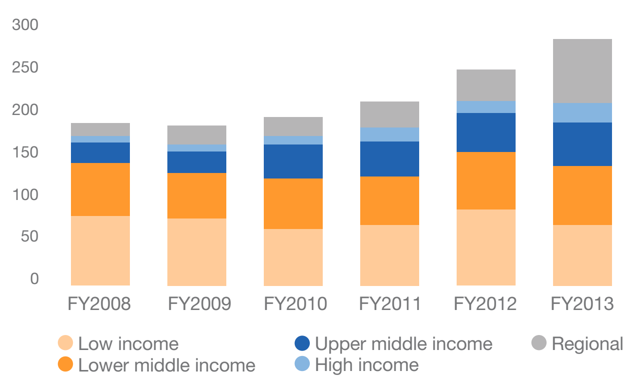
Technical assistance to countries with or near IMF-supported program status has increased since the onset of the global crisis (see Figure 4.5). This has helped countries such as Greece and Portugal with advice on bank resolution and bank supervision. In regard to public finances, the IMF has advised countries, such as Cyprus, on reforming fiscal policy and institutions in such areas as revenue administration, tax policy, public financial management, and expenditure control. It has also responded swiftly as demands emerged: for example, advising on social security administration in Greece and expenditure rationalization in Portugal.

Much capacity development focuses on fiscal issues and strengthening the financial sector. Fiscal technical assistance has concentrated on advising on fiscal reform strategies and supporting key reforms to fiscal policy, management, and institutions. It has also responded to emerging fiscal issues, such as the design of fiscal rules, the strengthening of fiscal risk management, issues of

Figure 4.4

Technical assistance field delivery in FY2008–13 by country income group

(Person-years)



Source: IMF Institute for Capacity Development from Fiscal Affairs Department, Legal Department, Monetary and Capital Markets Department, and Statistics Department data.

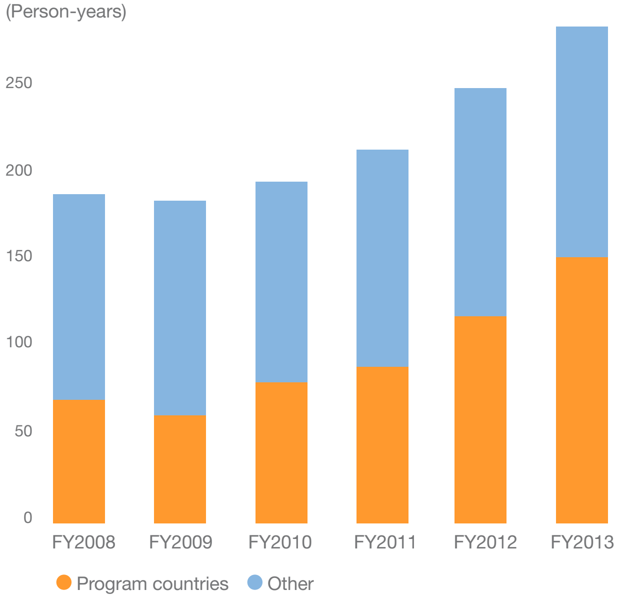
Left A young boy sells bread at a stall in Bangui, Central African Republic **Right** At the 2013 Spring Meetings, Deputy Managing Director Nemat Shafik shakes hands with the Finance Minister of Ghana, The Honorable Seth Terkper, after signing a memorandum of understanding to establish the new Africa Regional Technical Assistance Center (AFRITAC West 2)

international taxation (such as transfer pricing, base erosion, and profit shifting), and the management of the fiscal aspects of natural resource regimes—work in the latter area has experienced a particularly rapid growth in demand. Financial sector technical assistance focuses on providing advice on the financial sector, monetary policy, central banking, and debt management. In that context, the Executive Board was kept informed during the year about efforts to help developing countries address public debt management challenges, including the implementation of the IMF's medium-term debt management strategy capacity development program. This program has yielded tangible benefits, including the production of formal and explicit debt management strategies in a number of countries, including Cape Verde, Ghana, Kenya, Malawi, Moldova, Mozambique, and Tanzania. Tangible results from technical assistance activities in the area of fiscal issues include increased tax revenue (for example, in Ethiopia, Mozambique, Peru, and Uruguay) and smaller expenditure overruns and arrears (including in crisis countries).

Figure 4.5

Technical assistance field delivery in FY2008–13 by country status

(Person-years)



Source: IMF Institute for Capacity Development from Fiscal Affairs Department, Legal Department, Monetary and Capital Markets Department, and Statistics Department data.

Technical assistance has also yielded tangible results in statistics, such as the first-time publication of price statistics (Bhutan and Maldives), quarterly national accounts (Ghana, Rwanda, and Uganda), and national summary data pages (Botswana, Mauritius, Mozambique, Tanzania, and Uganda). With the help of technical assistance, more countries are reporting financial soundness indicators, monetary data in standardized format, and financial access data. Additionally, technical assistance helped six countries participate in the GDDS during the year (see "Standards for Data Dissemination" later in the chapter).

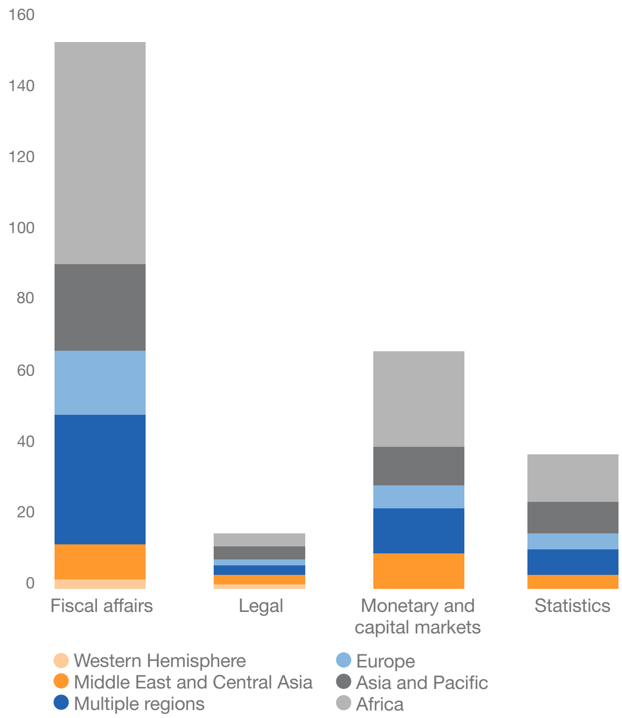
Members often seek IMF advice on regulatory and supervisory issues. As a consequence of the global crisis, the IMF has provided advice to crisis-hit countries on macro-prudential policy, bank resolution, and crisis management. There has also been growing interest in the establishment of a financial stability function, including stability reports, stress testing, and early warning systems. In addition, there is also demand for advice on legal issues, especially those related to anti–money laundering and combating the financing of terrorism. The IMF also has advised on laws relating to taxation, national budgets, corporate and household insolvency, and the efficiency of the judicial process. Advice has also been provided on judicial reform and anti–money laundering measures to combat tax evasion.

The IMF provided technical assistance in a number of new areas during the year. To facilitate sustainable financial deepening, especially in low-income countries, pilot missions examined how shallow financial systems can adversely affect macroeconomic outcomes and monetary and other policies. The IMF also piloted new analytical

Figure 4.6

Technical assistance field delivery during FY2013 by subject and region

(Person-years)

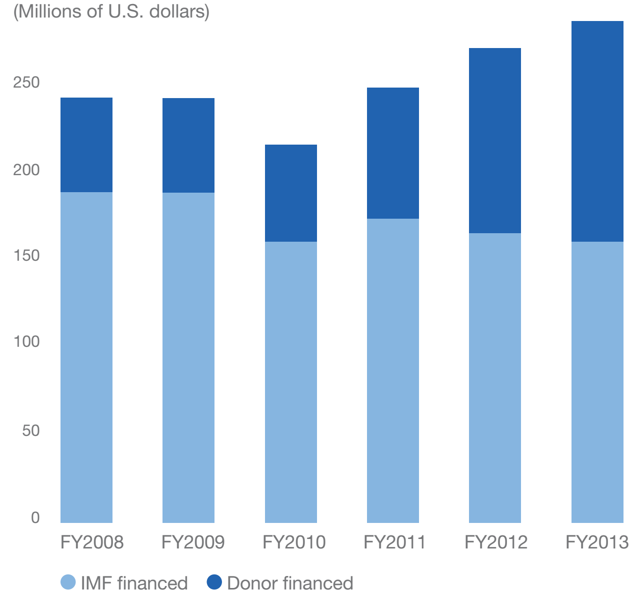


Source: IMF Institute for Capacity Development from Fiscal Affairs Department, Legal Department, Monetary and Capital Markets Department, and Statistics Department data.

Figure 4.7

Expansion of capacity development through donor support

(Millions of U.S. dollars)



Source: IMF Office of Budget and Planning and Institute for Capacity Development.

tools, among them the Revenue Administration Fiscal Information Tool (RA-FIT), revenue administration diagnostic tools, and a tax gap analysis framework (RA-GAP) that has initially been applied to value-added taxes. In addition, a new Capability Assessment Program is being piloted, with the aim of assessing institutional capacity to formulate and implement sound monetary and fiscal policies.

Figures 4.6, 4.7, and 4.8 provide information on technical assistance field delivery by subject and region, expansion of donor support, and technical assistance field delivery by subject and topic, respectively.

Training

Courses and seminars for member country officials are integral to IMF capacity development. The IMF staff shares its expertise and experience on topics critical to effective macroeconomic and financial analysis and policymaking. Training is organized by ICD, in collaboration with other departments, and delivered at IMF headquarters, RTCs, and regional programs as well as at RTACs around the world, and through distance learning (Figures 4.9 and 4.10).

Increasingly, the IMF has been looking for opportunities to enhance the synergies between technical assistance and training. A recent example is the coordinated provision of technical assistance and training in sub-Saharan Africa to help modernize monetary policy frameworks.

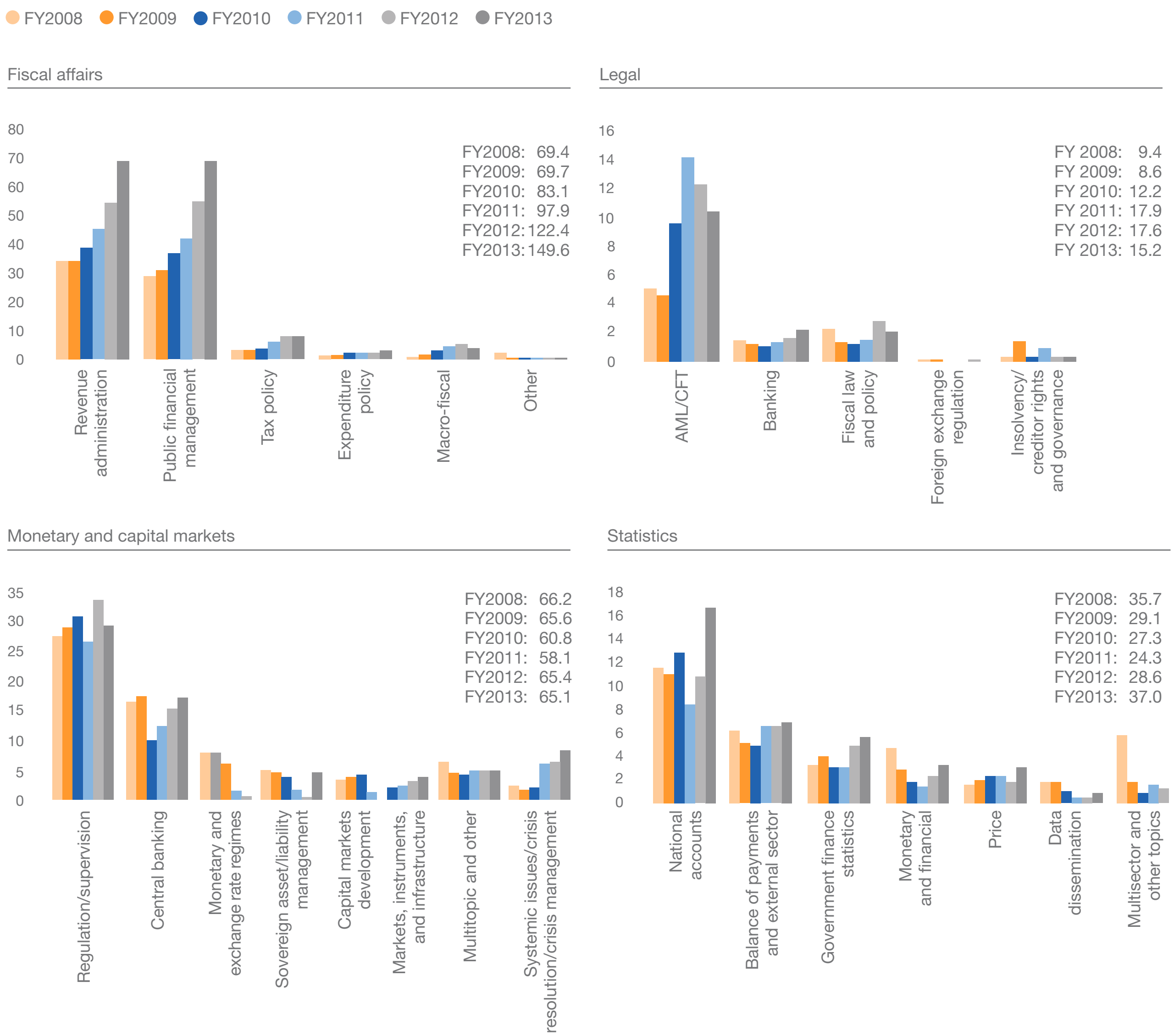
With the support of external donors and training partners, training equivalent to just over 12,000 participant-weeks was delivered by the IMF during the year, and more than 7,700 officials attended training (broadly unchanged from the previous year).[61] Middle-income countries received the largest volume of IMF training, at about two-thirds of total training delivered during the year (Figure 4.11). In terms of regional distribution, with the growth in training to the Middle East and Central Asia in recent years, the levels of training delivered to this region, Africa, and Asia and the Pacific were roughly comparable (Figure 4.12).

The IMF's training curriculum is continually adapted to the evolving needs of member countries and the institution's priorities. For a wider reach and to respond to high demand for its courses, the IMF has begun to offer participants online learning modules to complement face-to-face training. To this end, the IMF has entered into a partnership with edX, a nonprofit organization founded by the Massachusetts Institute of Technology and Harvard University to offer online courses.

Figure 4.8

Technical assistance field delivery in FY2008–13 by subject and topic

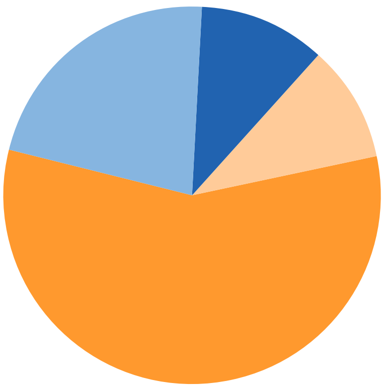
(Person-years)



Source: IMF Institute for Capacity Development.

Note: AML/CFT: anti–money laundering and combating the financing of terrorism.

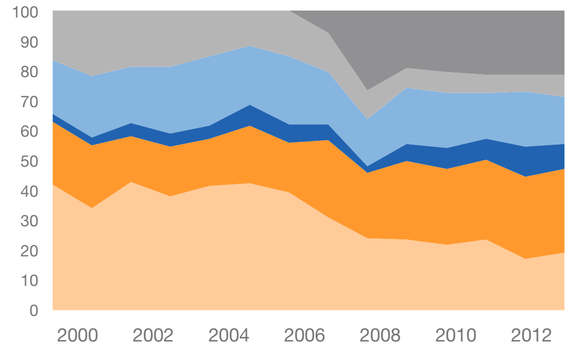
Figure 4.9
Training by department, FY2013
(Percent of total participant-weeks)



Institute for Capacity Development (57%)
Statistics Department (22%)
Regional Technical Assistance Centers (11%)
Other Departments (10%)

Source: IMF Institute for Capacity Development.

Figure 4.10
Training by provider, FY2000–13
(Percent of total participant-weeks)



Regional Technical Assistance Centers
Other Departments
Statistics Department
Finance (ICD)
Macroeconomic Management (ICD)
Financial Programming and Policies (ICD)

Source: IMF Institute for Capacity Development (ICD).

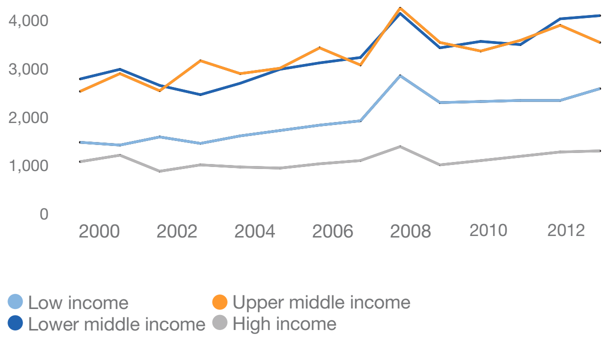
External support

Donor support has allowed the IMF to respond effectively to increased demand for capacity development. Activities financed by donors during the year exceeded US$125 million, 17 percent more than in the previous year. The largest donors for technical assistance activities since 1990 have been Japan, Canada, the United Kingdom, Switzerland, and the European Union. The IMF leverages external capacity development support through vehicles such as RTACs, RTCs and regional programs, topical trust funds, and bilateral partnerships.

RTACs allow the IMF to tailor technical assistance to a region's unique needs, coordinate more closely with other assistance providers, and respond swiftly as new needs emerge. Of the eight existing RTACs, four are in Africa and the others are in the Caribbean, Central America, the Middle East, and the Pacific. As noted previously, a ninth RTAC, headquartered in Ghana, is on the way to starting operations in late 2013.

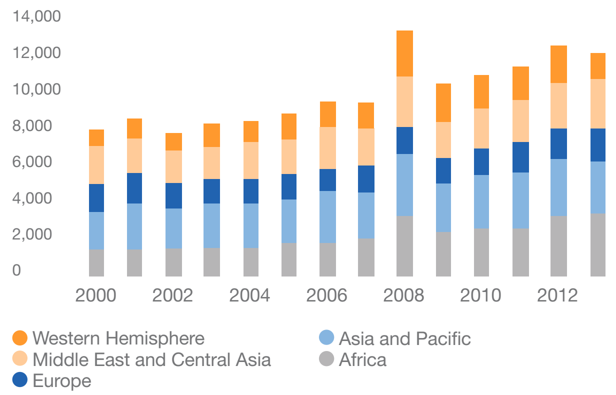
Left A coal miner measures the air temperature at 450 meters underground in Breza, Bosnia **Right** A rapt audience at a training session conducted by the IMF's Institute for Capacity Development in Washington, D.C.

Figure 4.11
Training by country income group, FY2000–13
(Participant-weeks)



Source: IMF Institute for Capacity Development.

Figure 4.12
Training by region, FY2000–13
(Participant-weeks)



Source: IMF Institute for Capacity Development.

Recent independent external evaluations of the centers in East and West Africa and in the Caribbean confirmed that RTACs are delivering much-needed advice in the regions they serve. Evaluators rated performance as excellent to good on all criteria in the case of the centers in Africa, and excellent to very good for the one in the Caribbean. Funding drives to allow RTACs to garner the resources necessary to respond to large technical assistance demands have been successful, with most RTACs now able to scale up their activities.

RTCs help target training to local needs, complementing training at IMF headquarters. With the addition of the ATI, the network of RTCs now serves Africa (including the Joint Partnership for Africa in Tunisia), Asia and the Pacific (the IMF-Singapore Regional Training Institute and the Joint China-IMF Training Program), Regional Europe and Central Asia (the Joint Vienna Institute), the Middle East (the IMF–Middle East Center for Economics and Finance, located in Kuwait), and the Western Hemisphere (the Joint Regional Training Center for Latin America, based in Brasilia). Each of the seven RTCs is largely funded by the host country, some with contributions from other donors such as Australia, China, and Japan.

Topical trust funds increased their activity during the year. The Managing Natural Resource Wealth and Tax Policy and Administration Topical Trust Funds have projects in 28 countries and a number of regional and research projects that benefit additional IMF members. A research project on the RA-FIT has been useful in assembling a database of tax administration–related information, and the Managing Natural Resource Wealth Topical Trust Fund held workshops on managing revenue for new oil producers. The priorities of the South Sudan Topical Trust Fund, launched in September 2012, are to develop capacity in the Bank of South Sudan and to strengthen budget formulation. A recent external evaluation of the Anti–Money Laundering/Combating the Financing of Terrorism Topical Trust Fund found remarkable achievements in its first five years of operations, during which it has delivered 59 projects in 33 countries.

The IMF deepened bilateral partnerships during the year with Japan, Canada, the United Kingdom, Switzerland, the European Union, Norway, and Belgium, with each of these partners financing both country-specific and multicountry projects. Work is apace to broaden partnerships with China and Korea.

Japan has contributed nearly half of the external financing of IMF technical assistance activities since 1990. Ongoing Japan-financed technical assistance projects were worth some US$113 million during the year and covered 69 countries. Canada, the second-largest donor, supported four new technical assistance projects in the Caribbean and North Africa during the year, focusing on banking supervision and regulation and debt management. The United Kingdom is supporting the IMF in developing the pilot Capability Assessment Program, which will help assess volunteer countries' ability to effectively formulate and implement sound monetary and fiscal policies. There are 14 Swiss-supported projects in 12 countries, and discussions are underway on a new project to assist Tunisia. The support of the European Union has proved critical for RTACs, topical trust funds, and a range of mainly fiscal projects, and substantial progress has been made to cement a long-term strategic partnership involving close policy dialogue as well as sustainable capacity development around the world.

The IMF continued during the year to provide technical assistance jointly with the World Bank on financial sector issues and public financial management. These projects provide comprehensive assistance to countries, taking advantage of the two institutions' complementary expertise.

To raise the awareness of IMF capacity development and donors' contributions, the IMF, in collaboration with Japan, organized

Left Vegetable market stall vendors in Mutsamudu, Comoros
Right Dock workers load sacks of rice imported from Vietnam onto a truck at the port of Dili, Timor-Leste

the seminar "Developing Capacity: A Partnership for Sustainable Growth" during the 2012 Annual Meetings. In addition, the government of Japan sponsored a video, "Partnerships for Change: Japan and the IMF," highlighting Japan's crucial role as the top donor to IMF capacity development and focusing on the cases of Cambodia, Kosovo, and Timor-Leste. Also with support from Japan, the IMF published *Building Capacity: The Japan-IMF Partnership—Country Success Stories* to illustrate the broad range of Japanese-funded success in IMF technical assistance in 18 countries around the world.

DATA AND DATA STANDARDS INITIATIVES

The quality of data provided by member countries under the Articles of Agreement is essential to the success of IMF surveillance. In this context, the Executive Board discussed data provision to the IMF for surveillance purposes in November 2012 (see Chapter 3).

Standards for data dissemination

Data dissemination standards help enhance the availability of timely and comprehensive statistics, which is critical to the pursuit of sound macroeconomic policies. The IMF has taken several important steps to enhance transparency and openness, including establishing voluntary standards for disseminating economic and financial data.

The Special Data Dissemination Standard was established in 1996 to guide members in the provision of their economic and financial data to the public. The General Data Dissemination System, established the following year, provides a framework to help countries evaluate their needs and set priorities for improving their statistical systems.[62] In 2012, the SDDS Plus was created to help address data gaps identified during the global crisis. It includes standards for nine additional data categories that an interested country commits to fully observe by the end of 2019.

There were no new subscribers to the SDDS during the year, with the number of subscribing economies remaining at 71 as of the end of the year. With financial support from Japan, the IMF launched projects to assist selected developing countries from Asia, the Pacific Islands, the Middle East and Central Asia, and southeastern Europe in participating in the GDDS. So far, the projects have led to the participation in the GDDS of Bosnia and Herzegovina, Comoros, the Islamic Republic of Iran, Samoa, Timor-Leste, and Tuvalu, all of which began their participation during the year.[63] The number of GDDS participants stood at 108 at the end of the year (excluding the economies that have graduated from the GDDS to the SDDS).[64] Today more than 90 percent of the IMF's member countries participate in the GDDS or SDDS.

As part of efforts to enroll the first SDDS Plus participants, a workshop was held in September 2012 for SDDS subscribers with systemically important financial sectors. The workshop reviewed SDDS Plus requirements regarding the nine SDDS Plus data categories, focusing on coverage, periodicity, and timeliness.

Other data-related activities

Building on previous work that has intensified since the beginning of the global crisis, the IMF continued its ongoing efforts during the year to strengthen the quality of data provided by its members and increase the accessibility of the data it produces and manages.

New and revised publications and databases

Revision of *Government Finance Statistics Manual 2001*

In May 2012, the IMF convened a meeting of the Government Finance Statistics Advisory Committee,[65] a group of experts from 14 countries and eight international organizations that is working with the IMF on updating the *Government Finance Statistics Manual 2001* (GFSM 2001), which provides the framework for compiling analytically relevant fiscal statistics. The update is designed to harmonize the GFSM 2001 with the System of National Accounts 2008, which is the international standard for compiling national accounts, for consistency across macroeconomic data sets. Draft chapters of the revision were posted on the IMF's website for comments in February 2013. The period for comments closed in mid-April, with publication of the revised manual expected by the end of 2013.

Handbook on Securities Statistics

The BIS, ECB, and IMF jointly released, in November 2012, the third and final part of the *Handbook on Securities Statistics*, which covers equity securities issues and holdings.[66] The first and second parts of the *Handbook,* covering debt securities issues and debt securities holdings, were released, respectively, in May 2009 and September 2010. The *Handbook* aims to assist national and international agencies in producing relevant, coherent, and internationally comparable securities statistics for use in formulating monetary policy and analyzing financial stability. The *Handbook* can be downloaded from the websites of the BIS, ECB, and IMF.

Revision of *International Financial Statistics* and Balance of Payments Statistics database

In August 2012, the IMF published revised editions of its *International Financial Statistics* (IFS) and the online Balance of Payments Statistics (BOPS) database.[67] The releases, which cover 2005–11 (for annual series), for the first time included balance of payments and international investment position data presented on the basis of the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* (BPM6).

Release of updated survey results

Updated data for a number of ongoing IMF surveys were released during the year. In June and December 2012, respectively, the IMF released revised 2009 and 2010 results and preliminary 2011 results from its Coordinated Direct Investment Survey (CDIS).[68] The CDIS is the IMF's global survey of bilateral foreign direct investment positions,[69] which has been conducted annually since 2009. The IMF also released, in September 2012, the results of the third annual Financial Access Survey (FAS),[70] the sole global supply-side source of comparable geographic and demographic data on access to and usage of basic consumer financial services by households and enterprises across the world.[71] Finally, in November 2012, the IMF released preliminary results from its 2011 Coordinated Portfolio Investment Survey (CPIS),[72] the only global survey of portfolio investment holdings. The CPIS collects information on the stock of cross-border holdings of equities and long- and short-term debt securities broken down by the economy of residence of the issuer.

ArabStat launch

In April 2013, the Council of Arab Finance Ministers formally approved the launch of ArabStat, a regional statistical initiative, marking a major step forward in strengthening statistical systems in the Middle East and North Africa. Building on the recommendation of the IMF's Middle East Advisory Group, ArabStat is aimed at assisting ongoing efforts to enhance statistical capacity and systems and support home-grown efforts to improve data compilation and dissemination. The launch of ArabStat is the culmination of close cooperation between the IMF and authorities in the region to improve data quality and further develop statistical systems.[73]

5 FINANCES, ORGANIZATION, AND ACCOUNTABILITY

FINANCES, ORGANIZATION, AND ACCOUNTABILITY

QUOTA AND GOVERNANCE REFORM

Quota subscriptions (see Web Box 5.1) are the primary source of the IMF's financial resources. The Board of Governors conducts general quota reviews at regular intervals (at least every five years), allowing the IMF to assess the adequacy of quotas in terms of members' financing needs and to modify members' quotas to reflect changes in their relative positions in the world economy. Quota reviews aim to ensure that the IMF is representative of its membership and the changing structure of the global economy. The most recent of these reviews, the Fourteenth General Review of Quotas, was concluded in December 2010, though the proposed reforms have not yet taken effect.

Progress on the 2010 quota and governance reforms

In completing the Fourteenth General Review, the Board of Governors approved quota and governance reforms, including a proposed amendment of the Articles of Agreement on the reform of the Executive Board.

The reforms, once they become effective, will double quotas to approximately SDR 477 billion, shift more than 6 percent of quota shares to dynamic emerging market economies and developing countries and from overrepresented to underrepresented countries, and protect the quota shares and voting power of the poorest members. In addition, the 2010 reforms will lead to an all-elected Executive Board, the combined representation of advanced European economies on the 24-member Board will decrease by two Executive Director positions in favor of emerging market members, and there will be further scope for appointing second Alternate Executive Directors to enhance the representation of multicountry constituencies.

A comparative table of quota shares before and after implementation of the reforms is available on the IMF's website.[74] Under the Board of Governors Resolution that approved the quota increases under the Fourteenth General Review, no quota increase for any member can become effective until three general conditions have been met: (1) members having not less than 70 percent of total quotas as of November 5, 2010, must have consented to the quota increases; (2) the 2008 Amendment on Voice and Participation (or "Sixth Amendment" to the Articles of Agreement) must have entered into force; and (3) the proposed 2010 Amendment to Reform the Executive Board must also have entered into force.

In June, September, and December 2012 and April 2013, the Executive Board reviewed progress toward implementation of the 2010 quota and governance reform package.[75] As of April 30, 2013, 149 members having 77.42 percent of IMF quotas (as of November 5, 2010) had consented to their proposed quota increases; the first condition has therefore been met. The second condition was met with the entry into force of the Sixth Amendment, as part of the 2008 Quota and Voice Reform, in March 2011. (That amendment essentially tripled the basic votes of IMF members and put in place a mechanism to preserve the share of basic votes in total votes; it also provided for the appointment of a second Alternate Executive Director for constituencies with larger numbers of members.[76]) The third condition requires acceptance of the amendment to reform the Executive Board by three-fifths of the members having 85 percent of the total voting power. As of April 30, 2013, 136 members having 71.31 percent of the total voting power had accepted the proposed amendment, and thus that condition had not yet been met.

2012 Executive Board election

A new IMF Executive Board began its two-year term in November 2012, following an election for the 19 currently elected seats.[77] As a result, seven new Executive Directors and a number of new Alternate Executive Directors joined the Board, which will serve until the next regular elections of Executive Directors in October 2014.

The election marked the beginning of a new chapter in the Board's history. A number of European members consolidated their representation on the Board, in anticipation of the coming into force of the 2010 quota and governance reforms. Belgium and Luxembourg, together with members of the former Dutch chair, formed a new chair. In doing so, Belgium and the Netherlands created a space for an additional emerging market chair. This space was taken by a new Central European chair, including Austria, the Czech Republic, Hungary, and Turkey, among others. Poland and Switzerland agreed to rotate a chair, as did the members of the Nordic-Baltic constituency.

To guide the election process, the Board established a committee whose task was to find an appropriate balance between changing the rules sufficiently to permit consolidation by the advanced European members and maintaining a reasonable distribution of voting power across the Board. The Executive Board and the Board of Governors subsequently approved the committee's recommendations on new voting limits for multicountry constituencies and the timeline for the election.

Quota formula review

Each IMF member country is assigned a quota that should reflect its relative position in the world economy, as assessed via a quota formula.[78] Quotas determine a country's financial commitment to the IMF, provide a basis for deciding members' access to IMF resources, determine members' shares in general allocations of SDRs, and are closely linked to members' voting power.

The 2010 quota and governance reforms called for a comprehensive review of the quota formula by January 2013. The first formal Board discussion on this comprehensive review took place in March 2012.[79] The Board held additional formal discussions regarding the comprehensive review in July, September, and November 2012, as well as a concluding discussion in January 2013.[80] An informal discussion was also held in June 2012. At the conclusion of its review, in January 2013, the Executive Board submitted its report on the outcome to the Board of Governors.[81]

In its report, the Executive Board noted that important progress had been made in identifying key elements that could form the basis for a final agreement on a new quota formula. It was agreed that achieving broad consensus on a new formula would best be done in the context of the Fifteenth General Review rather than on a stand-alone basis.

Left Deputy Managing Director Naoyuki Shinohara with the African Consultative Group at the 2013 Spring Meetings **Right** First Deputy Managing Director David Lipton makes opening remarks at the Fiscal Forum at the 2013 Spring Meetings

The report identified areas of common ground as well as areas where views differed among Board members and further discussions were needed. The Board's discussions covered a wide range of issues. These included, among others, the principles that should guide the review, the role and measurement of the existing quota formula variables, the relative weights of the variables, the scope for further simplifying the formula, and the merits of adding new variables. The discussions were informed by a wide range of simulations of alternative possible reforms and by extensive technical work prepared by the IMF staff, including on how to capture potential need for IMF resources, openness, and interconnectedness; alternative measures of financial openness; and measuring members' financial contributions to the institution.

It was agreed that the principles that underpinned the 2008 Quota and Voice Reform[82] remained valid as a guide for the quota formula review. Thus, it was observed, the formula should be simple and transparent, be consistent with the multiple roles of quotas, produce results broadly acceptable to the membership, and be feasible to implement statistically, based on timely, high-quality, and widely available data. It was further agreed that GDP should remain the most important variable, with the largest weight in the formula and scope to further increase its weight. Considerable support was expressed for increasing its weight, particularly if variability is dropped (see below), but other Executive Directors preferred either to keep the current weight or to maintain it relative to that of openness. Consideration will be given, it was noted, to whether or not the weight of purchasing-power-parity GDP in the GDP blend variable should be adjusted.

It was also agreed that openness, which seeks to capture members' integration into the world economy, should continue to play an important role in the formula, and that concerns regarding this variable needed to be thoroughly examined and addressed. Extensive consideration was given to the role of variability, which seeks to capture members' potential need for IMF resources, and there was considerable support for dropping variability from the formula. Some Executive Directors conditioned their support for dropping variability on other elements of an integrated reform package, including how its weight is reallocated and the adequacy of measures to protect the poorest members. Some continued to see a role for variability.

The Board took note of the staff's finding that there is little empirical evidence of a relationship between variability and actual demand for IMF resources and the difficulties of identifying a superior measure. There was also considerable support for retaining the reserves variable, which provides an indicator of members' financial strength and ability to contribute to the IMF's finances, with its existing weight.

Options were considered for including a new measure of financial contributions in the formula, with arguments made for and against such a reform. It was agreed to consider, as part of the Fifteenth General Review, whether and how to take into account very significant voluntary financial contributions through ad hoc adjustments.

It was generally agreed that the quota formula should continue to include a compression factor to help moderate the influence of size in the quota formula. It was also agreed that measures should be taken to protect the voice and representation of the poorest members.

Fifteenth General Review of Quotas

The IMF's next regular quota review—the Fifteenth General Review of Quotas—has been brought forward by about two years to January 2014. The Executive Board's work over the course of the year on the review of the quota formula (see previous subsection) will form a basis for the Board to agree on a new quota formula as part of its work on the Fifteenth Review. Any changes in quotas must be approved by the Board of Governors with an 85 percent majority of the total voting power, and a member's quota cannot be changed without its consent.[83]

BUDGET AND INCOME

Resources for providing financing to members

The IMF can use its quota-funded holdings of currencies of financially strong economies to provide financing to its members. The Executive Board selects these currencies every three months based on members' balance of payments and reserve positions. Most are issued by advanced economies, but the list also has included currencies of emerging market economies, and in some cases of low-income countries, as well. The IMF's holdings of these currencies, together with its own SDR holdings, make up its usable resources. If needed, the IMF can temporarily supplement these resources through borrowing—both through its standing borrowing arrangements and through bilateral arrangements.

Borrowing arrangements

The IMF has two standing sets of credit lines, the General Arrangements to Borrow (GAB, established in 1962) and the New Arrangements to Borrow (NAB, established in 1998). Under these arrangements, a number of member countries or their institutions stand ready to lend additional funds to the IMF, through activation of the arrangements.

The NAB is a set of credit arrangements between the IMF and 38 member countries and institutions,[84] including a number of emerging market economies. It was expanded and enlarged with new participants in March 2011 to increase available resources for providing financing. At that time, the loan-by-loan activation

Left Journalists pack a press conference at the 2012 Annual Meetings **Right** Japanese Finance Minister Koriki Jojima (left), World Bank President Jim Yong Kim (center), and Managing Director Christine Lagarde (right) tour the earthquake-damaged city of Sendai, Japan, October 2012

under the original NAB was replaced by the establishment of general activation periods of up to six months. Once activated, the NAB can provide up to SDR 366.5 billion (US$553 billion) in supplementary resources.

The expanded NAB became effective in March 2011, and it was activated for the first time in April 2011. The NAB was activated twice during the time period covered by this report, in October 2012 and April 2013, with each activation for the maximum six-month period.

The GAB enables the IMF to borrow specified amounts of currencies from 11 advanced economies (or their central banks). A proposal for calls under the GAB may be made, however, only when a proposal for the establishment of an activation period under the NAB is not accepted by NAB participants.

The GAB and an associated credit arrangement with Saudi Arabia have been renewed, without modifications, for a period of five years from December 26, 2013. The potential amount of credit available to the IMF under the GAB totals SDR 17 billion (US$26 billion), with an additional SDR 1.5 billion (US$2.3 billion) available under the associated arrangement with Saudi Arabia. The GAB has been activated 10 times, the last time in 1998.

Bilateral borrowing agreements

Since the onset of the global crisis, the IMF has signed a number of bilateral loan and note purchase agreements with official lenders to supplement its quota resources and standing borrowing arrangements. The first round of bilateral borrowing took place in 2009–10, and these resources were used to finance commitments under IMF-supported arrangements that were approved prior to the first activation of the expanded NAB. The use of 2009–10 bilateral borrowing resources was discontinued as of April 2013, and the remaining undrawn balances under commitments originally financed through this borrowing are being financed instead with quota resources.

In June 2012, the Executive Board approved modalities for bilateral borrowing by the IMF.[85] The modalities build on those used for bilateral borrowing in 2009–10 and for the expanded NAB. They envisage that the IMF would draw on the new agreements only after it has committed most of its existing resources available through quotas or the NAB. Members' claims on the IMF under the agreements can be counted as part of their international reserves, and the IMF will repay any amounts drawn with interest.

Against the background of worsening economic and financial conditions in the euro area, 38 countries committed during the year to increase IMF resources further by US$461 billion through bilateral borrowing agreements.[86] The Executive Board approved agreements in October 2012 and January, February, and April 2013. As of April 30, 2013, the Executive Board had approved 21 of these agreements, of which 18 had been finalized and were effective, for a total amount of US$350 billion.

Agreements in support of financing for low-income countries

Following the 2009 reform of its concessional financing facilities, the IMF launched a fund-raising campaign seeking additional bilateral loan resources and subsidy contributions to support concessional financing under the PRGT. Loan agreements or note purchase agreements for this purpose were subsequently signed with 13 members. The IMF signed an additional bilateral borrowing agreement during the year with the National Bank of Belgium, through which Belgium agreed to provide the PRGT with up to SDR 350 million (US$540 million) in new loan resources for low-income countries.[87] This brought the total additional resources secured for concessional financing to SDR 9.81 billion (US$14.81 billion) as of April 30, 2013.

Gold sales and new income model

Gold sales

The income model for the IMF approved in 2008 includes the establishment of an endowment in the IMF's Investment Account funded from the profits of the sale of a limited portion of the institution's gold holdings. The account's objective is to invest these resources and generate returns to contribute support to the IMF's budget while preserving the endowment's long-term real value. The Executive Board agreed in July 2009 that in addition to funding the endowment, part of the gold sales proceeds would also be used to increase the IMF's resources for concessional financing to low-income countries.

The Board approved the sale of 403.3 metric tons of gold in September 2009, representing one-eighth of the institution's total holdings. The gold sales were initiated in October 2009 and concluded in December 2010, generating total proceeds of SDR 9.54 billion. Of this amount, SDR 2.69 billion represented the gold's book value and SDR 6.85 billion represented profits. All sales were based on market prices, which were higher than the US$850 per ounce that was assumed in 2008, when the Board endorsed the revised income model. The actual average sales price was US$1,144 per ounce, resulting in "windfall" profits from the gold sales. Of the SDR 6.85 billion in gold sales profits, the Board decided to place SDR 4.4 billion in the special reserve; the remaining SDR 2.45 billion, corresponding to the windfall profits, was placed in the IMF general reserve pending further discussions on its ultimate disposition.

As part of a low-income countries financing package for 2009–14, the Executive Board approved in February 2012 the distribution to IMF members of SDR 700 million (US$1.1 billion) of the SDR 2.45 billion. The distribution was to become effective only after members had provided satisfactory assurances that new amounts equivalent to at least 90 percent of the amount distributed—that is, SDR 630 million (US$978 million)—would be transferred, or otherwise provided, to the PRGT.[88] This threshold was reached in October 2012, and the distribution was made later that month.[89] The IMF continues to seek contributions from the remaining members to maximize its concessional financing capacity.

The Board discussed the use of the remaining windfall gold sales profits of SDR 1.75 billion (US$2.7 billion) on several occasions in 2011. During these discussions, the Board considered three main options: facilitating contributions to increase the concessional financing capacity for low-income countries, boosting the IMF's precautionary balances, and adding to the gold endowment. In September 2012, the Board approved the distribution of the remaining windfall profits to help make the PRGT sustainable (see Chapter 4).

New rules and regulations for Investment Account

As noted in the previous subsection, the income model for the IMF approved in 2008 involved the establishment of an endowment in the IMF's Investment Account and required expansion of the IMF's investment authority. The Fifth Amendment to the Articles of Agreement, which became effective in February 2011, authorized that expansion. Following a number of discussions on issues surrounding the broadening of the investment mandate (including discussions in June 2012 and January 2013), the Executive Board adopted a new set of rules and regulations for the Investment Account in January 2013.[90] They replace those approved by the Board in 2006 and provide the legal framework for the implementation of the expanded investment authority.

The new rules and regulations establish three subaccounts within the Investment Account—the Fixed-Income, Endowment, and Temporary Windfall Profits Subaccounts—each with a different investment objective. The rules and regulations provide strong protection against actual or perceived conflicts of interest, including a clear separation of responsibilities among the Executive Board, IMF management, and external managers, as well as the exclusion of certain investment activities that by their nature could be more susceptible to the perception of conflicts of interest.

Charges, remuneration, burden sharing, and income

Charges

Pending the investment of resources held in the endowment (see previous subsection), which will be phased over a three-year period, the main source of IMF income continues to be its financing activities. The basic rate of charge (the interest rate) on IMF financing comprises the SDR interest rate plus a margin expressed in basis points.[91] The margin is determined under a rule adopted by the Executive Board in December 2011 for setting the basic rate of charge. The rule, effective for FY2013 onward, is an important step in fully implementing the new income model, under which the margin is set so as to cover the IMF's lending-related intermediation costs and allow for a buildup of reserves. In addition, the new rule includes a cross-check to ensure that the rate of charge maintains a reasonable alignment against long-term credit market conditions. For FY2013 and FY2014, the Board agreed to keep the margin for the rate of charge at 100 basis points.

Surcharges of 200 basis points are levied on the use of large amounts of credit (above 300 percent of a member's quota) in the credit tranches[92] and under Extended Arrangements; these are referred to as level-based surcharges. The IMF also levies time-based surcharges of 100 basis points on the use of large amounts of credit (with the same threshold as above) that remains outstanding for more than 36 months.

In addition to periodic charges and surcharges, the IMF also levies service charges, commitment fees, and special charges. A service charge of 0.5 percent is levied on each drawing from the GRA. A refundable commitment fee is charged on amounts available under GRA arrangements, such as Stand-By Arrangements, as well as Extended, Flexible Credit Line, and Precautionary and Liquidity Line Arrangements, during each 12-month period. Commitment fees are levied at 15 basis points on amounts available for drawing up to 200 percent of quota, 30 basis points on amounts in excess of 200 percent and up to 1,000 percent of quota, and 60 basis points on amounts over 1,000 percent of quota. The fees are refunded when credit is used, in proportion to the drawings made. The IMF also levies special charges on overdue principal payments and on charges that are past due by less than six months.

Consistent with the elements of the new income model, the Board decided to resume the long-standing practice of reimbursing the GRA for the cost of administering the PRGT in FY2013.

Remuneration and interest

On the expenditure side, the IMF pays interest (remuneration) to members on their creditor positions in the GRA (known as reserve tranche positions). The Articles of Agreement provide that the rate of remuneration shall be not more than the SDR interest rate or less than 80 percent of that rate. The rate of remuneration is currently set at the SDR interest rate, which is also the current interest rate on IMF borrowing.

As noted earlier in the chapter, the IMF can temporarily supplement its quota resources through standing borrowing arrangements and bilateral arrangements. At April 30, 2013, the IMF held borrowed funds from members through bilateral loans and note purchase agreements, and the enlarged and expanded NAB, amounting to SDR 46 billion (US$69 billion).

Burden sharing

The IMF's 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 equally between creditor and debtor members. Quarterly interest charges that are overdue (unpaid) for six months or more are recovered by increasing the rate of charge and reducing the rate of remuneration (burden-sharing adjustments) to make up for the lost income. The amounts thus collected are refunded when the overdue charges are settled.

In FY2013, the adjustments for unpaid quarterly interest charges averaged less than 1 basis point, reflecting the rise in IMF credit outstanding owing to the effect of the global crisis on members and a similar increase in member reserve tranche positions. The adjusted rates of charge and remuneration averaged 1.09 percent and 0.09 percent, respectively, in FY2013.

Net income

The IMF's net income in FY2013 was SDR 2.0 billion (US$3.0 billion), reflecting primarily income from the high levels of financing activity and from its investments held in the Investment Account.

Administrative and capital budgets

In April 2012, in the context of the FY2013–15 medium-term budget, the Executive Board authorized total net administrative expenditures for FY2013 of US$997 million as well as a limit on gross expenditures of US$1,159 million (Table 5.1).[93] In addition, the Executive Board approved for spending in FY2013 US$41 million in carry-forward of unspent FY2012 resources. It also approved capital expenditures of US$388 million, the bulk of which was related to a multiyear renovation project of the IMF's aging HQ1 building (Box 5.1).

Box 5.1

Building renovations

HQ1. The renovation of the nearly 40-year-old HQ1 building (the older of the IMF's two headquarters buildings in Washington, D.C.) is focused on the replacement of key building systems to ensure safety and improve energy efficiency. Following the approval of the project by the Executive Board in the context of the FY2012–14 medium-term budget, architects and engineers began the design for the renovation. That design, approved by IMF management in April 2011, incorporates the IMF's operational needs in the layout of key spaces and office areas. The contract for construction was awarded through a competitive process, and funding previously approved by the Board was released to proceed with the work. The repairs and renovation began in the spring of 2013 and will be carried out over four years.

Concordia. Renovations began in November 2011 on the 46-year-old Concordia building, an extended-stay facility largely for country officials participating in Institute for Capacity Development courses, to modernize and replace aging building infrastructure, with a goal of creating a more modern, energy-efficient, and sustainable building. The completed building will attain Leadership in Energy and Environmental Design (LEED) Gold certification for design and construction and is expected to achieve LEED Platinum certification for ongoing operations and maintenance. The facility reopened and accepted course participants in April 2013.

Table 5.1

Budget by major expenditure category, FY2012–16

(Millions of U.S. dollars)

	FY2012		FY2013		FY2014	FY2015	FY2016
	Budget	Outturn	Budget	Outturn	Budget	Budget	Budget
ADMINISTRATIVE EXPENDITURES							
Personnel	820	799	835	802	862	867	869
Travel[1]	112	105	125	119	123	124	129
Buildings and other	181	178	181	180	190	192	194
Contingency reserves	11	—	18	—	12	11	11
TOTAL GROSS BUDGET	1,123	1,082	1,159	1,102	1,186	1,195	1,203
Receipts[2]	–138	–136	–161	–154	–179	–172	–171
TOTAL NET BUDGET	985	947	997	948	1,007	1,023	1,032
Carry-forward[3]	34	—	41	—	42		
TOTAL NET BUDGET INCLUDING CARRY-FORWARD	1,019	947	1,038	948	1,049	1,023	1,032
CAPITAL							
Facilities and information technology	162	44	388	89	41	46	44

Source: IMF Office of Budget and Planning.
Note: Components may not sum to totals because of rounding.

1 FY2013 and FY2016 include travel to the Annual Meetings held abroad.
2 Includes donor-financed activities, cost-sharing arrangements with the World Bank, sales of publications, parking, and other miscellaneous revenue.
3 Resources carried forward from the previous year under established rules.

The IMF's work during the year continued to be affected by the ongoing global crisis, and the budget aimed to support the institution's active role in the global efforts to restore financial stability. Relative to the previous year, overall spending was kept unchanged in real terms, aside from a special allocation for the 2012 Annual Meetings, and continued to include a temporary allocation of US$53 million, to respond to crisis-related needs.

Actual net administrative expenditures in FY2013 amounted to US$948 million, US$50 million below the total net budget; the lower level of spending mainly resulted from lower-than-planned expenses for personnel and unspent contingency reserves, which had been set higher in FY2013 given the elevated risks and exceptionally uncertain outlook at the time. Actual spending on capital facilities and information technology (IT) projects totaled US$89 million and was largely as planned. The main facilities projects were the renovation of the Concordia facility and the preliminary work for the HQ1 renovation project (see Box 5.1). IT investments focused on improving the stability and usability of core systems, including continued investments in information and data management initiatives as well as in IT security.

For financial-reporting purposes, the IMF's administrative expenses are accounted for in accordance with International Financial Reporting Standards (IFRS) rather than on a cash basis of budgetary outlays. These standards require accounting on an accrual basis and the recording and amortization of employee benefit costs based on actuarial valuations. Table 5.2 provides a detailed reconciliation between the FY2013 net administrative budget outturn of US$948 million and the IFRS-based administrative expenses of SDR 751 million (US$1,135 million) reported in the IMF's audited financial statements for the year.

In April 2013, the Board approved a budget for FY2014, including net administrative expenditures of US$1,007 million and a limit on gross administrative expenditures of US$1,186 million, as well as up to US$42 million in carry-forward of unspent FY2013 resources. For the second year in a row, the limit on net administrative expenditures remained unchanged in real terms relative to the previous year. The capital budget was set at US$41 million, of which about US$24 million is for investments in IT and the remainder for facilities projects. The Board also endorsed indicative budgets for FY2015–16.

The FY2014–16 medium-term budget was formulated within the IMF strategic planning framework with an overall envelope and resource allocation to ensure the delivery of the institution's priorities as set out in the Managing Director's *Global Policy Agenda* (see Chapter 4). Within an unchanged budget envelope, new demands and activities—for example, strengthening support for transition and reforms in the Middle East and North Africa region and increasing support for bilateral surveillance and program work—were accommodated through internal redirection of resources. These reallocations included some streamlining of multilateral surveillance products and other analytical work and savings in other line items in the budget that resulted from recent changes in internal policies and procedures. For FY2014, the budget preserves the same level of temporary crisis-related resources as in FY2013 (US$53 million); the level and composition of temporary funding will be reviewed in the context of the FY2015 budget cycle.

Arrears to the IMF

Overdue financial obligations to the IMF (including as Trustee) fell from SDR 1,301 million (US$2,017 million) at the end of April 2012 to SDR 1,298 million (US$1,959 million) at the end of April 2013 (Table 5.3). Sudan accounted for about 76 percent of remaining arrears, and Somalia and Zimbabwe for 18 and 6 percent, respectively. At the end of April 2013, 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 GRA, and the remainder to the Trust Fund and the PRGT. Zimbabwe is the only country with protracted arrears to the PRGT. The August 2009 general SDR allocation has facilitated all protracted cases in remaining current in the SDR Department.

Under the IMF's strengthened cooperative strategy on arrears, remedial measures have been applied to address the protracted arrears. At the end of the financial year, Somalia and Sudan remained ineligible to use GRA resources. Zimbabwe will not be able to access GRA resources until it fully settles its arrears to the PRGT. A declaration of noncooperation, the partial suspension of technical assistance, and the removal from the list of PRGT-eligible countries remain in place as remedial measures related to Zimbabwe's outstanding arrears to the PRGT. In October 2012, the Executive Board decided to continue the IMF's technical assistance to Zimbabwe in targeted areas.

Audit mechanisms

The IMF's audit mechanisms comprise an external audit firm, an internal audit function, and an independent External Audit Committee (EAC) that, under the IMF's By-Laws, exercises general oversight over the annual audit.

External Audit Committee

The three members of the EAC are selected by the Executive Board and appointed by the Managing Director. Members serve three-year terms on a staggered basis and are independent of the IMF. They are nationals of different member countries and must possess the expertise and qualifications required to carry out the oversight of the annual audit. Typically, EAC members 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

Table 5.2
Administrative expenses reported in the financial statements
(Millions of U.S. dollars, unless otherwise indicated)

FY2013 NET ADMINISTRATIVE BUDGET OUTTURN	948
Timing differences	
Pension and postemployment benefits costs	213
Capital expenditure—amortization of current and prior years' expenditure	47
Amounts not included in the administrative budget	
Capital expenditure—items expensed immediately in accordance with International Financial Reporting Standards	8
Reimbursement to the General Department (from the Poverty Reduction and Growth Trust, Post-Catastrophe Debt Relief Trust, and Special Drawing Rights Department)	–81
TOTAL ADMINISTRATIVE EXPENSES REPORTED IN THE AUDITED FINANCIAL STATEMENTS	1,135
MEMORANDUM ITEM:	
Total administrative expenses reported in the audited financial statements (Millions of SDRs)	751

Sources: IMF Finance Department and Office of Budget and Planning.
Note: Components may not sum exactly to totals because of rounding. Conversions are based on the effective weighted average FY2013 U.S. dollar/SDR exchange rate for expenditures of about 1.51.

procedures, and is independent of the IMF's management in overseeing the annual audit. It meets in Washington, D.C., each year, normally in January or February to oversee the planning for the annual audit, in June after the completion of the audit, and in July to brief the Executive Board. The IMF staff and the external auditors consult with EAC members throughout the year. The 2013 EAC members were Arfan Ayass (chair), Gonzalo Ramos, and Jian-Xi Wang.

External audit firm

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 conducting the IMF's annual external audit and expressing an opinion on the IMF's financial statements, including the accounts administered under Article V, Section 2(b), of the Articles of Agreement and the Staff Retirement Plan. At the conclusion of the annual audit, the EAC briefs the Board on the results of the audit and transmits the report issued by the external audit firm, through the Managing Director and the Board, for consideration by the Board of Governors. The external audit firm is normally appointed for five years. Deloitte & Touche LLP is currently the IMF's external audit firm. It issued an unqualified audit opinion on the IMF's financial statements for the financial year ended April 30, 2013.

Office of Internal Audit and Inspection

The IMF's internal audit function is assigned to the Office of Internal Audit and Inspection (OIA), which independently examines the effectiveness of the IMF's risk management, control, and governance processes. OIA's audit coverage includes the IMF staff, the Executive Board, offices of the Executive Directors, and the Independent Evaluation Office and its staff.

OIA completed ten audits and reviews and substantially progressed on three others during the year, in the following areas: financial audits on the adequacy of controls and procedures to safeguard and administer the IMF's financial assets and accounts; IT audits to evaluate the adequacy of IT management and the effectiveness of security measures; and operational and effectiveness reviews of work processes, associated controls, and the efficacy of operations in meeting the IMF's overall goals. In addition, OIA completed five advisory reviews and provided assistance in an internal investigation.

Separate from its internal audit function, OIA also serves as Secretariat to the Advisory Committee on Risk Management. In this capacity, OIA coordinates production of an annual risk management report to the Board and supports informal briefings of the Board on risk management.

In line with best practices, OIA reports to IMF management and to the EAC, thus ensuring its objectivity and independence. The quality of OIA's activities was assessed in December 2012 by an independent evaluation team of the Institute of Internal Auditors, which confirmed OIA's adherence to all applicable professional standards.

The Board is informed of OIA activities twice a year via an activity report that includes information on its planned audits and reviews as well as the results and status of audit recommendations, and all audit reports are shared with the Board. The most recent informal Board briefing on these matters, as of the end of the financial year, had taken place in January 2013. No material or significant weaknesses that would have a bearing on the IMF's internal control structure and financial statements were identified. The overall implementation rate of audit recommendations in the first half of FY2013 improved compared with FY2012, although it remained somewhat below the pace of earlier years.

Risk management

Steps toward strengthening the IMF's risk management framework continued during the year, in particular through the work

Table 5.3

Arrears to the IMF of countries with obligations overdue by six months or more and by type, as of April 30, 2013
(Millions of SDRs)

		By type		
	Total	General Department (including Structural Adjustment Facility)	Trust Fund	Poverty Reduction and Growth Trust
Somalia	233.8	225.6	8.2	—
Sudan	982.1	900.6	81.5	—
Zimbabwe	82.2	—	—	82.2
Total	**1,298.1**	**1,126.1**	**89.8**	**82.2**

Source: IMF Finance Department.

Left IMFC Chairman Tharman Shanmugaratnam speaks at the 2013 Spring Meetings **Right** Human Resources Department Director Mark Plant addresses IMF staff members at a March 2013 town hall at IMF headquarters

of a committee and a working group with responsibility in this area. The Advisory Committee on Risk Management supports the implementation of the IMF's risk management framework. As noted in the previous subsection, it prepares an annual report on key risks facing the IMF and informally briefs the Executive Board on risk management issues, as it did, during the financial year covered by this report, in June 2012.

In August 2012, the Board discussed the *2012 Report on Risk Management* prepared by the committee. Executive Directors generally supported the more focused format of the report, which had benefited from a streamlined risk assessment survey as well as better incident reporting. They suggested that future reports could provide more integrated risk assessments with greater emphasis on mitigation strategies and reviews of past implementation measures.

A Working Group on the Fund's Risk Management Framework, appointed in March 2012, completed its work in February 2013, after consulting with outside experts in the public and private sectors, and submitted its findings and recommendations for IMF management's consideration. The working group had been tasked with making proposals to address key recommendations stemming from the report of an external panel convened in 2010 to undertake an independent and comprehensive review of the IMF's risk management framework. It had also been asked to examine the potential role of quantitative analysis in the IMF's management of financial risks.

HUMAN RESOURCES POLICIES AND ORGANIZATION

The IMF's staff is key to its success, and effective human resource management that supports this knowledge-based workforce is the most critical element for the institution's relevance. The IMF's ability to attract, motivate, retain, and develop a highly skilled, innovative, and diverse workforce is essential to its continued success.

Human resources during the year

The IMF continued its focus on strong recruitment during the year, implementing important human resources reforms in response to the 2010 staff survey, and working to modernize human resources benefits and services across the institution.

Workforce characteristics

Recruitment and retention in calendar year 2012 was primarily shaped by continuing demands on the IMF from the ongoing global crisis.[94] The IMF hired 161 new staff members in 2012. Among the new hires, 85 were economists, a slight increase over the previous year. Recruitment to specialized career streams exceeded the recent five-year average, with a total of 48 new hires in these career streams, representing a 37 percent increase from 2011.

The IMF relies primarily on economists with a substantial number of years of analytical and policymaking experience to replenish ranks in area and functional departments. A total of 56 midcareer economists were recruited in 2012, an 11 percent reduction from the previous year and 19 percent below the 2008–12 average of 69 hires. This decrease can be attributed to two policy changes that slowed external hiring of economists: a hiring freeze for nonspecialist senior economists and a decision to advertise all economist vacancies internally first, before opening them up, if subsequently necessary, to outside applicants.

The need to provide in-depth technical advice, particularly on financial sector and fiscal management issues, led to a significant increase in the hiring of contractual employees in 2012, with their number rising by 14 percent to 470. Of this increase, long-term contractual hiring at the professional level rose

42 percent, primarily as a result of the need for technical assistance expertise. Another driver of the increase, fully 55 percent, was long-term hiring of contractual employees at the support levels.

As of April 30, 2013, the IMF had 2,061 professional and managerial staff and 457 staff at the support level. A list of the institution's senior officers and its organizational chart can be found on pages 71 and 72, respectively.

Diversity

The IMF makes every effort to ensure that its staff is diverse in terms of nationality and gender, and it recruits actively from all over the world.[95] Of the 188 member countries at the end of April 2013, 144 were represented on the staff. Web Tables 5.1–5.3 show the distribution of the IMF's staff by nationality, gender, and country type, respectively.

The institution continues to make progress in hiring diverse staff. Hiring of nationals from Africa, East Asia, and the Middle East in 2012 was comparable to or higher than such hiring in recent years. Although hiring of nationals from European transition countries decreased slightly, the number of European transition country nationals remained at the 2014 benchmark. The Economist Program, which recruits entry-level economists, continues to provide a good source of regional and gender diversity. Of the 29 participants who joined the program in 2012, one-third were from underrepresented regions, and the share of women among program appointments was 48 percent. The competition for those with doctorates from top universities remains strong.

Progress has been made on most of the IMF's diversity benchmarks, though unevenly across regions and grades. In the case of European transition countries, the benchmark for professional and managerial staff has been surpassed, and the share of East Asian staff is closing in on its 2014 benchmark. In regard to Africa, progress has been quite limited (6.8 percent for FY2013, compared with 5.4 percent in 2003, when the original indicator was set) and remains below the benchmark of 8 percent. The overall share of Middle Eastern staff in the professional and management grades has proved the hardest to increase; it was at 4.5 percent at the end of April 2012, not much different from the 4.4 percent that prevailed in 2003, and compared with the benchmark of 8 percent. In some cases, but not all, it has been difficult to make sustained headway at the management level, whereas marked shifts have been seen at the professional levels. In other hiring categories, the reverse has been true. In addition, the issues that affect hiring and retention trends vary both across regions and between region and gender.

Diversity Annual Report 2011

The Diversity Annual Report is prepared by the IMF's Diversity Office in consultation with the Diversity Council, an IMF-wide representative body that provides guidance on diversity-related matters to IMF management, department heads, and departmental Diversity Reference Groups. The report, regularly published on the IMF's website, provides an accounting of the institution's efforts to promote a more diverse working environment and conditions.

In June 2012, the Executive Board discussed the *Diversity Annual Report 2011*.[96] In their discussion, Executive Directors emphasized the need to continue to build on the diversity initiatives put in place to achieve 2014 benchmarks for diversity and to strengthen the diversity strategy overall, while ensuring that recruitment and career development remain based on merit. They noted that,

Left Managing Director Christine Lagarde with Liberian President Ellen Johnson Sirleaf at the seminar "Globalization at a Crossroads: From Tokyo to Tokyo" at the 2012 Annual Meetings **Right** Workers stand next to oil excavation pipes in Meta, Colombia

with regard to diversity demographics, advancements in a number of areas had been partly offset by movement in others counter to the institution's diversity goals. They considered that the share of staff from underrepresented regions had increased, both at the professional level and as a share of senior staff. Whereas the representation of women had increased in the professional grades, the share of women at senior levels had dropped slightly. Executive Directors emphasized the importance of continued efforts to increase the share of women and of staff from underrepresented regions at senior levels.

Executive Directors noted that the 2012 Economist Program had been a source of both regional and gender diversity. They emphasized, however, that the IMF would need to strengthen the diversity agenda in a comprehensive and longer-term perspective, including innovative career development approaches and ways to enhance the pipeline of promotions of staff from diverse backgrounds. Many Executive Directors emphasized the merits of greater diversity of academic backgrounds, including for the Economist Program, and of professional experience in fostering independent and creative thinking, and a number of these Executive Directors saw the role of midcareer professionals in nurturing diversity of thought. A few Executive Directors asked for objectives and indicators in these areas.

Executive Directors expressed support for the diversity-related initiatives in response to the 2010 staff survey, specifically, the importance of clearly communicating the business case for diversity and the increased attention to inclusion, while ensuring that performance drives recruitment and promotions. They stressed the importance of strengthening the accountability framework for senior managers and integrating the agenda into human resources policies and practices, including increasing diversity among senior personnel managers. They called for looking carefully at promotion data over time broken down by gender and underrepresented groups.

Executive Directors noted that steps had been taken to follow up on issues raised during the Board's consideration of the *Diversity Annual Report 2010,* in particular, through the survey of practices in comparator institutions. Most welcomed the finding that the approaches used by the IMF were broadly aligned with effective practices in other international institutions, but noted that the IMF could strengthen practices to broaden the diversity agenda as recommended in the report.

Executive Directors also endorsed the IMF Diversity and Inclusion Statement set out in the report.

Management salary structure

IMF management remuneration is reviewed periodically by the Executive Board; the Managing Director's salary is approved by the Board of Governors. Annual adjustments are made on the basis of the Washington, D.C., consumer price index. Reflecting the responsibilities of each management position, as of July 1, 2012, the salary structure for management was as follows:

Managing Director	US$476,360
First Deputy Managing Director	US$414,220
Deputy Managing Directors	US$394,510

The remuneration of Executive Directors was US$244,350, and the remuneration of Alternate Executive Directors was US$211,370. Web Table 5.4 provides the salary scale for the IMF staff.

Human resources reforms

Staff survey

Following on the 2010 staff survey, projects initiated last year were implemented in the course of this one. A new accountability framework for department heads was implemented to better align departmental objectives with institution-wide goals. It introduced a stronger focus on people and budget management and is expected to hold department heads accountable for delivering on related indicators. A Statement of Workplace Values was announced, aimed at providing guidance on desirable behaviors to which all IMF employees should aspire. Progress in the areas of staff mobility and development was also achieved through the expansion of the external mobility program, implementation of internal mobility schemes for management-level staff and senior macroeconomists, and the introduction of a technical track for high-performing, highly specialized individual contributors. Finally, work is ongoing to strengthen leadership in the institution. Senior leaders were actively engaged this year in defining the path to a more open management and leadership culture. This included identifying opportunities to lessen hierarchy and encourage innovation and creativity. Key outcomes have been clearly defined departmental management roles and responsibilities and defined plans to increase the cohesiveness within management teams.

In March 2013, a new staff survey was launched, in line with the current strategy of surveying the IMF staff on a periodically consistent basis. The response rate of 87.6 percent revealed the staff's strong buy-in to such exercises and exceeded that for the previous survey by more than 17 percentage points. Analysis was subsequently undertaken to identify areas of progress since 2010 and where additional efforts might be needed.

Workforce planning

The Executive Board was informally briefed on strategic workforce planning in February 2013. The policy paper prepared for the briefing identified substantive proposals, including in the areas of the employment framework, diversity, training, and people management. This emerging focus on workforce planning at the institutional level is beginning to provide useful guidance to departments in planning their own efforts to align people and dollar resources to the delivery of their business plans and outputs.

Modernizing human resources benefits and services

The Human Resources Department undertook a number of efforts over the course of the year to enhance the governance and modernization of the IMF's retirement program. These included restructuring the Administration Committee of the Staff Retirement Plan, strengthening the governance of and formalizing a funding strategy for the Retired Staff Benefits Investment Account, and expanding the retirement benefits program to include a Voluntary Savings Plan. That plan supports staff mobility, provides a vehicle for additional retirement savings, and improves benefits portability.

The policy and procedural framework for employment and management of Resident Representative and RTAC offices was strengthened during the year. Measures included publishing a policy and procedural manual for overseas heads of office that provides extensive guidance for the employment of local employees in all overseas offices. The manual incorporates an improved security evacuation policy, medical insurance improvements, tax guidance, and significantly upgraded employment contract templates. A simultaneous and parallel measure was the first-time publication of a handbook for local employees that provides transparent and consistent information on the governing employment framework. All of these measures serve to integrate these employees into the IMF's overall employment framework and to emphasize the institution's commitment to this very important employee group that supports its mission around the world.

Membership

There were no pending applications for IMF membership at the end of the previous year, and there were no new applications for membership during the one covered by this report. Thus the number of IMF members was unchanged at 188 as of the end of the financial year.

Recognition of Federal Government of Somalia

In April 2013, the IMF recognized the Federal Government of Somalia, paving the way for the resumption of relations after a 22-year interval.[97] Somalia has been an IMF member since 1962. Recognition of the government allows the IMF to resume offering technical assistance and policy advice to Somalia. The decision is consistent with the broad international support and recognition the Somali government has received since it took office in September 2012.

Declaration of censure against Argentina

The Executive Board met in February 2012 to consider proposals by the Managing Director for remedial measures that Argentina would have to implement to address the quality of the official data reported to the IMF for the Consumer Price Index for Greater Buenos Aires (CPI-GBA) and Argentina's GDP.[98] At that time, the Board called on Argentina to implement specific measures, within 180 days, with a view to bringing the quality of the data into compliance with the obligation under the Articles of Agreement. The measures aimed at aligning these indicators with the international statistical understandings and guidelines that ensure accurate measurement.

At the Board's request, the Managing Director reported on implementation of these measures in September 2012. At that time,[99] the Board expressed to the authorities its concern that Argentina had not brought itself into compliance with its obligations under the Articles by implementing the specified remedial measures. It called on Argentina to implement the measures without delay and required the Managing Director to provide another report on progress the following December.[100]

The Board considered the Managing Director's report in February 2013. It found that Argentina's progress in implementing the remedial measures since the September 2012 Board meeting had not been sufficient.[101] As a result, the IMF issued a declaration of censure against Argentina in connection with its breach of obligation to the IMF under the Articles. The Board called on Argentina to adopt the remedial measures to address the inaccuracy of CPI-GBA and GDP data without further delay, and in any event, no later than September 29, 2013. The Managing Director was given a requirement to report to the Board by November 2013 on the status of Argentina's implementation of the remedial measures. At that time, it is expected that the Executive Board will again review the issue and Argentina's response in line with IMF procedures.

ACCOUNTABILITY

The IMF is accountable to its 188 member governments. Externally the IMF is also scrutinized by multiple stakeholders, from political leaders and officials to the media, civil society, and academia; internally, its own watchdog, the Independent Evaluation Office, plays a key role in ensuring accountability to its members.

External

Managing Director's *Global Policy Agenda*

The IMF's major findings and policy messages are published twice a year in the Managing Director's *Global Policy Agenda* (discussed in Chapter 4). This report synthesizes the key risks outlined in the IMF's multilateral surveillance products (*World Economic Outlook, Global Financial Stability Report, Fiscal Monitor,* and Spillover Report) and charts a set of policy actions for the membership and the IMF to mitigate them. It is shared with

Left Finalists and winners of the Japanese student essay contest
Right Managing Director Christine Lagarde meets with students after delivering the commencement address at the Kennedy School of Government in Cambridge, Massachusetts, in May 2012

the Executive Board prior to the Spring and Annual Meetings, where it is presented to the IMFC. Informal Board meetings to review the Managing Director's *Global Policy Agenda* were held in October 2012 and April 2013.

Transparency

The IMF's transparency policy, enacted in 1999 and most recently revised in March 2010, states that the institution "will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure." This principle, according to the policy, "respects, and will be applied to ensure, the voluntary nature of publication of documents that pertain to member countries."[102] The Executive Board receives annual updates on the implementation of the policy; these reports are part of the information the IMF makes public as part of its efforts in the area of transparency. The 2012 update, published in July 2012, is available on the IMF's website.[103]

The next review of the institution's transparency policy is scheduled for the coming year and will assess the implementation of the policy since 2009. It will also examine the implications for transparency of recent changes in IMF surveillance policies, notably the 2011 Triennial Surveillance Review—which called for an increased focus on interconnectedness, strengthened risk assessments, more work on financial stability, and a renewed emphasis on the external sector—and the Integrated Surveillance Decision (see Chapter 3), which will lead to increased spillover analysis in Article IV consultations. Additionally, it will explore ways to increase the amount, timeliness, and accessibility of information made available to the public, protect the integrity of IMF documents, and enhance the IMF's accountability.

In February–March 2013, the IMF conducted public consultation on views of its transparency policy, in the context of the scheduled review. Though comments were welcomed on any or all aspects of the policy, views were specifically solicited in regard to the policy's strengths and weaknesses, ways it could be improved, whether there had been an improvement or deterioration in the policy over the preceding five years, and how well the policy was performing relative to those of other institutions, including in regard to the accessibility, frequency, and usefulness of documents. Comments received during the consultation were published, unless otherwise requested, and are available via the consultation web page.[104]

Outreach and engagement with external stakeholders

The objectives of IMF outreach are twofold: first, to listen to external voices to better understand their concerns and perspectives, with the aim of improving the relevance and quality of IMF policy advice; and second, to strengthen the outside world's understanding of IMF objectives and operations. Among the specific groups with which the IMF engages in its outreach activities are civil society organizations and youth leaders, trade and labor unions, parliamentarians, academics, think tanks, and the media. Tools such as social media, videos, and podcasts have formed an increasing part of the IMF's outreach strategy in recent years. A particular focus of the IMF's outreach during the year under discussion was engaging youth (see Box 5.2).

The IMF's External Relations Department has primary responsibility for conducting the IMF's outreach activities and its engagement with external stakeholders.[105] As the institution's policies have evolved—for instance, in its increased focus on promoting poverty reduction in low-income countries through a participatory approach and its emphasis on transparency and good governance—outreach and communication have become an integral part of IMF country work as well.

As the importance of the IMF's outreach efforts has grown in the face of the crisis and aftermath, the management team has played an increasingly important role in those efforts. Outreach by manage-

Box 5.2

Outreach to youth

The IMF's goal in engaging with youth worldwide is to interact with the next generation of leaders, to get their perspectives on key economic issues, to exchange ideas about the challenges young people in their region are facing, and to hear their aspirations, worries, and concerns. During the year, the institution undertook a number of specific outreach activities targeted toward the world's youth.

The most prominent of these was an essay competition organized to raise awareness of the IMF–World Bank Annual Meetings in October 2012.[a] University students submitted a total of 96 essays on the theme "Youth Perspectives on the Global Economy and the Role of the IMF." Three winners and five runners-up participated during the meetings in a dialogue on Asian youth with Deputy Managing Director Nemat Shafik, in which she stressed that young people need greater voice in the global economic debate, as they will inherit the legacy of choices made today. The dialogue also included five student panelists from China, Korea, Singapore, and Thailand, all members of the IMF-sponsored Youth Fellowship Program, who spoke about the challenges they face. In its second year, the Youth Dialogue continued to reflect concerns with the effects of the global crisis on youth, and in particular, unemployment.

The Managing Director devoted particular attention to youth outreach during the year. Among other activities, in May 2012, she delivered the commencement address at the Kennedy School of Government at Harvard University, where she spoke about the interconnections of global society. At Keio University in July 2012, she engaged students in a dialogue on global issues, answering their questions about the role of regional monetary unions in promoting stability in the international monetary system, the role of the IMF's financial resources in euro area countries, and other topics. As part of her first official visit to Chile as Managing Director in December 2012, she held a dialogue, "Chile's Next Generation Asks the IMF," with students from the University of Chile and the Catholic University of Chile, which was publicly broadcast.

a See Press Release No. 12/312, "Winners of the 2012 IMF Essay Contest in Japan" (www.imf.org/external/np/sec/pr/2012/pr12312.htm).

ment and senior IMF staff provides an opportunity to articulate the institution's strategic vision and the key policy priorities for the membership at large; to marshal support for policymakers for difficult national reforms that carry both domestic and global benefits; to learn more about issues affecting key stakeholders in member countries, including nontraditional constituents, with the aim of strengthening IMF analysis and policy advice; and to reinforce the IMF's commitment to providing needed support to members, particularly those most affected by the crisis. The Managing Director, the Deputy Managing Directors, and senior IMF staff travel extensively in all five world regions, meeting with key stakeholders in member countries and taking advantage of numerous opportunities to further the IMF's outreach objectives.

Regional Economic Outlook reports

The IMF publishes, as part of its World Economic and Financial Surveys, *Regional Economic Outlook* reports (REOs), providing more detailed analysis of economic developments and key policy issues for major world regions. Publication of the REOs is typically coordinated with extensive outreach events in each region. Press releases summarizing REO findings can be found on the IMF's website, along with the full text of the REOs themselves, as well as transcripts and webcasts of press conferences held upon publication.[106]

IMF regional offices

Regional Office for Asia and the Pacific

As the IMF's window to the Asia and Pacific region, the importance of which continues to grow in the global economy, the Regional Office for Asia and the Pacific (OAP) monitors economic and financial developments to help bring a more regionally focused perspective to IMF surveillance. It seeks to enhance the understanding of the IMF and its policies in the region and to keep the IMF informed regarding regional perspectives on key issues. In this capacity, OAP has increased bilateral and regional surveillance with an expanding role in Mongolia, active support and participation on work involving Japan, and increased regional surveillance with forums in Asia, including ASEAN+3 (the Association of Southeast Asian Nations plus China, Japan, and Korea) and Asia-Pacific Economic Cooperation. OAP also contributes to capacity development in the region through the Japan-IMF Scholarship Program for Asia, the Japan-IMF Macroeconomic Seminar for Asia, and other macroeconomic seminars. Furthermore, OAP conducts outreach activities both within Japan and in the region and engages in dialogue with Asian policymakers by organizing conferences and events on current policy issues central to the IMF's work (see Box 5.3).

Offices in Europe

The IMF's Offices in Europe (EUO) represent the IMF in the European region, advising management and departments as needed, supporting the IMF's operations in Europe, and providing a conduit for European views on issues of interest to the IMF. EUO's role has expanded considerably in response to increased demand for IMF policy advice, expertise, and participation in relevant policy discussions with the global financial and European debt crisis. Additionally, European-based institutions, including the Organisation for Economic Co-operation and Development (OECD), European Union, FSB, and BIS, are playing a crucial role in dealing with that crisis. Strengthening the IMF's coordination with these institutions (see "Engagment with Other Organizations" in Chapter 4) has thus been paramount.

EUO's activities focus primarily on four areas. First, EUO contributes to the IMF's multilateral and regional surveillance by representing the IMF in various organizations; reporting on the views and activities of European-based international organizations, think tanks, and prominent experts; and participating in IMF consultations with EU institutions. Second, EUO represents the IMF in the day-to-day activities of the OECD's Development Assistance Committee and has close working relationships with bilateral and multilateral development agencies in Europe. Third, EUO conducts extensive outreach to better inform the policy debate and disseminate IMF views on key policy issues in Europe. Finally, EUO plays a central role in recruitment, supporting the IMF's efforts in regard to diversity.

Internal

Independent Evaluation Office

The IMF's Independent Evaluation Office, established in 2001, evaluates IMF policies and activities with the goal of increasing the institution's transparency and accountability, strengthening its learning culture, and supporting the Executive Board's institutional governance and oversight responsibilities. Under its terms of reference, the IEO is fully independent of IMF management and operates at arm's length from the Board, to which it reports its findings.

Executive Board reviews of IEO reports and recommendations

International reserves: IMF concerns. In December 2012, the IEO released its evaluation "International Reserves: IMF Concerns and Country Perspectives." It examined two distinct aspects of the IMF's analysis: the role of reserve adequacy assessments in bilateral surveillance and the effect of reserves on international monetary system stability.

The evaluation concluded that IMF discussions of international reserves in the context of bilateral surveillance were often pro forma, overly reliant on traditional indicators, and insufficiently attuned to country circumstances. To address these concerns, the evaluation recommended that the IMF apply reserve adequacy indicators flexibly and in a way that incorporates country-specific circumstances; recognize the multiple trade-offs involved in decisions on reserves; and integrate advice on reserves with advice in related areas, directing this advice not just to emerging market economies, but also to advanced economies where appropriate.

In the multilateral context, the IEO welcomed the broader IMF work stream on the international monetary system but noted that this work had not sufficiently informed IMF analysis and recommendations regarding reserves. It recommended that the IMF take a comprehensive approach to threats to financial stability when discussing reserve accumulation, and that when addressing systemic externalities, IMF policy initiatives take into account the relative size of countries' contributions to those externalities.

During its discussion of the evaluation, the Executive Board generally supported the IEO's recommendations, while recognizing that the IMF had already made progress in many of these areas in the broader context of its work on the international monetary system. Executive Directors held different views, however, on the analytical underpinnings of the report, in

Box 5.3

Conference on capital flow management in Asia

Asian policymakers from 13 countries met in Tokyo in March 2013 to discuss challenges related to the management of capital flows with IMF officers and academics. The conference was jointly organized by Hitotsubashi University and the IMF's Regional Office for Asia and the Pacific (OAP) and funded by the government of Japan. The gathering was part of OAP's various initiatives aimed at strengthening policymaking capacity in Asia.

OAP kicked off the discussion with a review of global trends and determinants of capital flows to emerging markets, which was followed by discussions on the experiences of selected Asian countries such as Indonesia, Korea, Malaysia, and Thailand in dealing with capital flows. The recently developed IMF institutional view on capital flow management (see Chapter 3) was also discussed.

particular on whether the membership was adequately represented in the sample chosen by the IEO. They welcomed the IEO's findings that the IMF staff's research on the adequacy of official reserves was at the forefront of the field. They noted that this research had provided a rich set of tools to inform reserve assessments at the country level.[107]

Role of the IMF as trusted advisor. In February 2013, the IEO released its evaluation "The Role of the IMF as Trusted Advisor," which considered whether and in what circumstances member country authorities viewed the IMF as a trusted advisor. The IEO found that the IMF's image had improved markedly since the onset of the global crisis and that the institution was viewed as more flexible and responsive than in the past. Nonetheless, the degree to which the IMF was viewed as a trusted advisor varied by region and country type; authorities in Asia, Latin America, and large emerging market economies in general were the most skeptical, and those in large advanced economies the most indifferent. Recognizing that there will always be an inherent tension between the IMF's roles as a global watchdog and as a trusted advisor to member country authorities, the evaluation explored how the IMF could sustain the more positive image it has achieved in the aftermath of the crisis.

The evaluation recommended that the IMF take action to enhance the value added of Article IV consultations, strengthen the continuity of the relationship between the IMF and member countries, work more closely with country authorities on outreach, reduce unnecessary disclosure concerns, and implement the institution's transparency policy in a uniform and fair manner. The Executive Board supported the thrust of the IEO recommendations to further improve the quality and traction of IMF advice to its members and concurred that there are various ways to make these recommendations operational.[108]

IEO work program

The IEO is in the final stages of work on "An Assessment of IMF Self-Evaluation Systems." This evaluation examines how the IMF learns from experience.

Following consultation with country authorities, Executive Directors, IMF management, the IMF staff, and outside stakeholders, an informal Executive Board workshop was held in November 2012 to discuss topics for new IEO evaluations. The IEO subsequently initiated work on three evaluations: IMF forecasting, country statistics, and the IMF's response to the global crisis. Issues papers will be posted after consultation with relevant stakeholders on the focus and approach for the corresponding evaluations.

In early 2013, the IEO released a volume describing the experience with independent evaluation of the IMF over the preceding 10 years. This volume, as well as full texts of completed evaluations, information on those that are in progress, issues papers, IEO Annual Reports, and other documentation, is available on the IEO website.[109]

Implementation of Board-endorsed IEO recommendations

Soon after the Executive Board discussion of an evaluation, the IMF staff and IMF management prepare and present to the Board a forward-looking implementation plan for Board-endorsed IEO recommendations. Three such management implementation plans were considered during the year, and a fourth was submitted for Board review shortly after the year ended.

IMF performance in the run-up to the global crisis. In May 2012, the Executive Board discussed the management implementation plan in response to Board-endorsed recommendations arising from the IEO evaluation of IMF performance in the run-up to the global financial and economic crisis.[110] In its report, which was discussed by the Board in January 2011, the IEO had put forward a set of recommendations aimed at making IMF surveillance more effective. Consideration of the management implementation plan for the report's recommendations was scheduled for after the 2011 Triennial Surveillance Review, given that many of the issues raised in the IEO report were also addressed in that context.

Executive Directors generally considered that the proposed management implementation plan complemented well the action plan for the Triennial Surveillance Review and that the two together should help enhance the effectiveness of IMF surveillance. They broadly supported the plan's specific proposals and welcomed IMF management's statement on an ambitious agenda to break down silos and promote diverse views and candor, further advancing initiatives underway.

Research. In November 2012, the Executive Board agreed to the management implementation plan proposed in response to Board-endorsed recommendations arising from the IEO's evaluation of research at the IMF.[111] In its report, which was discussed by the Board in June 2011, the IEO had assessed research produced at the IMF between 1999 and 2008 and put forward recommendations aimed at enhancing the relevance and quality of IMF research and improving the coordination and prioritization of research across the IMF. The Board agreed that the proposals included in the management implementation plan fulfilled the framework's requirement.

International reserves. In March 2013, the Board endorsed the management implementation plan for the international reserves evaluation, which laid out proposed actions to follow up on this evaluation.[112] The proposed actions include (1) a successor paper on reserve adequacy, which will review the work included in the 2011 "Assessing Reserve Adequacy" paper and develop additional and updated guidance where needed; (2) the preparation of a staff guidance note for assessing adequacy; and (3) additional engagement on reserve issues with members, the private sector, and academics.

Trusted advisor. A proposed management implementation plan for the trusted advisor evaluation was submitted to the Board's Evaluation Committee in April 2013 and endorsed by the committee the following month; it was subsequently approved by the Executive Board.

Periodic Monitoring Report

The Executive Board also established the Periodic Monitoring Report in 2007 to ensure that IEO recommendations that are subsequently endorsed by the Board are followed up and systematically monitored. In February 2013, the Executive Board considered the *Fifth Periodic Monitoring Report on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations* and determined that appropriate steps had been or were being taken by the IMF to follow up on the IEO evaluation "IMF Interactions with Member Countries."[113]

External evaluation of the IEO

During the year, the Executive Board launched the second external evaluation of the IEO.[114] The evaluation's purpose was to assess the IEO's effectiveness and to consider possible improvements to its structure, mandate, operational modalities, and terms of reference. The high-level evaluation panel was composed of José Antonio Ocampo, Stephen Pickford, and Cyrus Rustomjee.

In March 2013, the Board discussed the evaluation.[115] Executive Directors welcomed the panel's assessment that the IEO had played an important role in supporting the IMF's governance and transparency and enhancing its learning culture. They also welcomed the finding that the IEO's independence had been widely recognized and, as such, had strengthened the external perception of the IMF. Executive Directors agreed that the focus of IEO reports should be on long-term cross-cutting issues and drawing out lessons of wider relevance and applicability for the advancement of IMF policy and culture. They noted that the IEO Director should continue to have full freedom in choosing the subjects for evaluation, consistent with the IEO's terms of reference. Executive Directors generally agreed that, in framing its recommendations, the IEO should focus on policy issues for the IMF, rather than on processes, which are the responsibility and comparative advantage of IMF management, although they acknowledged the practical difficulties in separating substance from process, depending on the subject of evaluation. Many Executive Directors also considered it useful for the IEO to undertake, subject to resource availability, periodic evaluations of ex post assessments and ex post evaluations of selected country programs.

Executive Directors agreed on the need to improve the follow-up process for Board-endorsed IEO recommendations. They underscored the importance of strong ownership and active engagement by the Board, especially through its Evaluation Committee. In particular, Executive Directors saw a role for the Evaluation Committee in reviewing and monitoring management implementation plans and ensuring their timeliness, including by setting time limits for preparation and submission of these plans. Noting that interaction between the IEO and the membership is an essential part of the follow-up process, most Executive Directors were open to considering an appropriate forum for the IEO to present its recent work during the IMF's Annual Meetings.

With regard to Board discussions of IEO evaluation reports, many Executive Directors supported, or were open to, the IEO's suggestion that it should prepare draft Summings Up for Board discussions of its reports and work with the Secretary's Department in preparing the final version, in line with standard procedures for all other Summings Up.

The recommendations of the panel that received broad support and outstanding issues that warranted further consideration are being followed up on by the appropriate parties: the Evaluation Committee, the IEO, the IMF staff, and IMF management.

EXECUTIVE DIRECTORS AND ALTERNATES

as of April 30, 2013[1]

APPOINTED

Meg Lundsager *Vacant*	United States
Daikichi Momma *Tomoyuki Shimoda*	Japan
Hubert Temmeyer *Steffen Meyer*	Germany
Hervé de Villeroché *Alice Terracol*	France
Stephen Field *Christopher Yeates*	United Kingdom

ELECTED

Menno Snel *Willy Kiekens* *Yuriy G. Yakusha*	Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine
José Rojas *Fernando Varela* *María Angélica Arbeláez*	Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, Venezuela
Andrea Montanino *Thanos Catsambas*	Albania, Greece, Italy, Malta, Portugal, San Marino
Der Jiun Chia *Rasheed Abdul Ghaffour*	Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, Vietnam
ZHANG Tao *SUN Ping*	China
Jong-Won Yoon *Ian Davidoff*	Australia, Kiribati, Korea, Marshall Islands, Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan, Vanuatu
Thomas Hockin *Mary T. O'Dea*	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Audun Groenn *Pernilla Meyersson*	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden
Momodou Saho *Chileshe M. Kapwepwe* *Okwu Joseph Nnanna*	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
A. Shakour Shaalan *Sami Geadah*	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, Yemen
Johann Prader *Miroslav Kollar*	Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, Turkey
Rakesh Mohan *Kosgallana Ranasinghe*	Bangladesh, Bhutan, India, Sri Lanka
Ahmed Alkholifey *Fahad Alshathri*	Saudi Arabia
René Weber *Dominik Radziwill*	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan
Paulo Nogueira Batista, Jr. *Hector Torres* *Luis Oliveira Lima*	Brazil, Cape Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, Trinidad and Tobago
Aleksei V. Mozhin *Andrei Lushin*	Russia
Mohammad Jafar Mojarrad *Mohammed Daïri*	Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia
Pablo Garcia-Silva *Sergio Chodos*	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
Kossi Assimaidou *Nguéto Tiraina Yambaye* *Woury Diallo*	Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo

1 Information concerning the voting power of each chair is provided in Appendix IV, which can be accessed via the Annual Report web page (www.imf.org/external/pubs/ft/ar/2013/eng/); changes in the Executive Board during the year are listed in Appendix V, also accessible via the Annual Report web page.

SENIOR OFFICERS
as of April 30, 2013

Olivier J. Blanchard, *Economic Counsellor*
José Viñals, *Financial Counsellor*

AREA DEPARTMENTS

Antoinette Monsio Sayeh
Director, African Department

Anoop Singh
Director, Asia and Pacific Department

Reza Moghadam
Director, European Department

Masood Ahmed
Director, Middle East and Central Asia Department

Alejandro M. Werner
Director, Western Hemisphere Department

FUNCTIONAL DEPARTMENTS

Gerard T. Rice
Director, External Relations Department

Andrew Tweedie
Director, Finance Department

Carlo Cottarelli
Director, Fiscal Affairs Department

Sharmini A. Coorey
Director, Institute for Capacity Development

Sean Hagan
General Counsel and Director, Legal Department

José Viñals
Director, Monetary and Capital Markets Department

Olivier J. Blanchard
Director, Research Department

Vacant
Director, Statistics Department

Siddharth Tiwari
Director, Strategy, Policy, and Review Department

INFORMATION AND LIAISON

Shogo Ishii
Director, Regional Office for Asia and the Pacific

Emmanuel van der Mensbrugghe
Director, Offices in Europe

Axel Bertuch-Samuels
Special Representative to the United Nations

SUPPORT SERVICES

Mark W. Plant
Director, Human Resources Department

Jianhai Lin
Secretary of the Fund, Secretary's Department

Frank Harnischfeger
Director, Technology and General Services Department

Susan Swart
Chief Information Officer, Technology and General Services Department

OFFICES

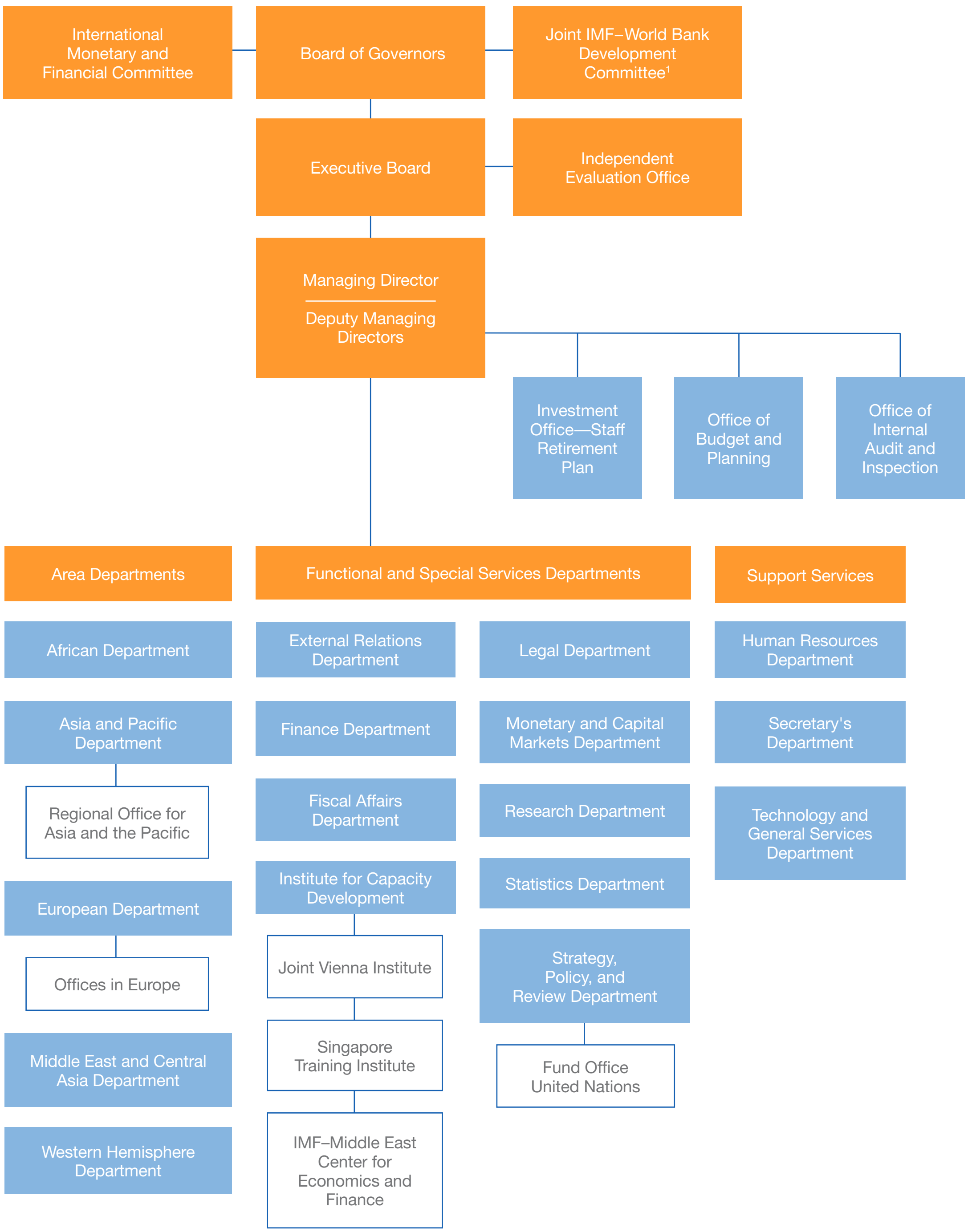
Daniel A. Citrin
Director, Office of Budget and Planning

G. Russell Kincaid
Director, Office of Internal Audit and Inspection

Moises J. Schwartz
Director, Independent Evaluation Office

IMF ORGANIZATION CHART

as of April 30, 2013



1 Known formally as the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

NOTES

1 The IMF's financial year (FY) begins on May 1 and ends the following April 30.

2 The *2012 Spillover Report* is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/070912.pdf). Informal sessions are informal meetings of Executive Directors in which no decisions are taken and for which no Summing Up is issued.

3 The statement is available on the IMF's website (www.imf.org/external/np/pp/eng/2011/102711.pdf).

4 The report is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/070212.pdf).

5 With the adoption of the Integrated Surveillance Decision (see next section), Article IV consultations have become a vehicle for both bilateral and multilateral surveillance.

6 See "2011 Triennial Surveillance Review" in Chapter 3 of the IMF's *Annual Report 2012: Working Together to Support Global Recovery* (www.imf.org/external/pubs/ft/ar/2012/eng/).

7 See Public Information Notice (PIN) No. 12/89, "IMF Executive Board Adopts New Decision on Bilateral and Multilateral Surveillance" (www.imf.org/external/np/sec/pn/2012/pn1289.htm), as well as Press Release (PR) No. 12/262, "Statement by IMF Managing Director Christine Lagarde on Strengthening IMF Surveillance" (www.imf.org/external/np/sec/pr/2012/pr12262.htm).

8 See PIN No. 12/139, "IMF Executive Board Reviews Progress Implementing the Priorities of the 2011 Triennial Surveillance Review" (www.imf.org/external/np/sec/pn/2012/pn12139.htm).

9 See PIN No. 12/125, "IMF Executive Board Reviews Progress in Members' Provision of Data to the Fund for Surveillance Purposes" (www.imf.org/external/np/sec/pn/2012/pn12125.htm).

10 See PIN No. 12/111, "IMF Sets Out a Strategy for Financial Sector Surveillance" (www.imf.org/external/np/sec/pn/2012/pn12111.htm), as well as PR No. 12/356, "Statement by IMF First Deputy Managing Director David Lipton on the IMF's Financial Surveillance Strategy" (www.imf.org/external/np/sec/pr/2012/pr12356.htm).

11 The guidance note is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/101012.pdf).

12 See "IEO Work Program" in Chapter 5 of the IMF's *Annual Report 2011: Pursuing Equitable and Balanced Growth* (www.imf.org/external/pubs/ft/ar/2011/eng/).

13 The paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/080712.pdf).

14 The paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/082412.pdf).

15 The paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/081512.pdf).

16 The paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/012813.pdf); see also PR No. 13/93, "IMF Calls for Global Reform of Energy Subsidies: Sees Major Gains for Economic Growth and the Environment" (www.imf.org/external/np/sec/pr/2013/pr1393.htm).

17 See PIN No. 12/137, "IMF Executive Board Discusses the Liberalization and Management of Capital Flows—An Institutional View" (www.imf.org/external/np/sec/pn/2012/pn12137.htm).

18 These policy papers and discussions addressed the role of the IMF (November 2010), managing capital inflows (April 2011) and outflows (April 2012), multilateral aspects (November 2011), and capital flow liberalization (April 2012). See "Capital Flows" in Chapter 3 of the IMF's *Annual Report 2011: Pursuing Equitable and Balanced Growth* (www.imf.org/external/pubs/ft/ar/2011/eng/) and in Chapter 3 of its *Annual Report 2012: Working Together to Support Global Recovery* (www.imf.org/external/pubs/ft/ar/2012/eng/).

19 The integrated approach outlines a systematic process and pace of liberalization that is consistent with each country's institutional and financial development. It suggests the removal of capital flow management measures in a manner that is properly timed and sequenced, taking into account other policies and conditions, notably macroeconomic and prudential policies.

20 The guidance note is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/042513.pdf).

21 The policy paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/012913.pdf).

22 See "Modifications to Concessional Financing Facilities" in Chapter 4 of the IMF's *Annual Report 2010: Supporting a Balanced Global Recovery* (www.imf.org/external/pubs/ft/ar/2010/eng/).

23 See PIN No. 12/108, "The Review of Facilities for Low-Income Countries" (www.imf.org/external/np/sec/pn/2012/pn12108.htm).

24 The current package for financing the IMF's concessional lending, which was approved by the Board in 2009 in the wake of increased needs arising from the global crisis, is set to expire in 2014. The Board subsequently decided to use resources linked to the remaining windfall profits from gold sales as part of a strategy to make the PRGT sustainable; see Chapter 4.

25 As member quotas will double under the quota increase proposed as part of the Fourteenth Review, maintaining access levels unchanged would then halve a member's level of access, when expressed as a percentage of its quota.

26 See PIN No. 13/45, "IMF Executive Board Reviews Facilities for Low-Income Countries and Eligibility for Using Concessional Financing" (www.imf.org/external/np/sec/pn/2013/pn1345.htm).

27 In addition to the IMF's concessional financing instruments (see Table 4.1), the IMF also offers a Policy Support Instrument to countries that have established broadly sustainable macroeconomic positions and do not generally require IMF financing. The Policy Support Instrument provides more frequent IMF assessments of a member's economic and financial policies than are available through surveillance. This support from the IMF delivers clear signals to donors, creditors, and the general public on the strength of a country's policies.

28 That policy paper, "Review of Facilities for Low-Income Countries—Proposals for Implementation," is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/031813.pdf).

29 These are arrangements under which a period of eighteen months has lapsed since the date of the last completed program review.

30 These provisions enable some of these very small states (those with populations of less than 200,000) to become eligible for support under the PRGT.

31 See PIN No. 12/128, "IMF Executive Board Discusses Global Risks, Vulnerabilities, and Policy Challenges Facing Low-Income Countries" (www.imf.org/external/np/sec/pn/2012/pn12128.htm).

32 The policy paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/041612.pdf).

33 For more information on the HIPC Initiative, see "Factsheet: Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative" (www.imf.org/external/np/exr/facts/hipc.htm).

34 The resources of the Poverty Reduction and Growth–Heavily Indebted Poor Countries Trust, established to provide debt relief under the HIPC Initiative and to subsidize PRGT lending, consist of grants and deposits pledged from 93 member countries and contributions from the IMF itself.

35 The IMF has also provided SDR 116 million (US$172 million) in debt relief to Liberia beyond that provided through the HIPC Initiative, as well as SDR 178 million (US$268 million) in debt relief to Haiti through the Post-Catastrophe Debt Relief Trust.

36 See PIN No. 13/39, "IMF Executive Board Concludes Macroeconomic Issues in Small States and Implications for Fund Engagement" (www.imf.org/external/np/sec/pn/2013/pn1339.htm).

37 See PIN No. 12/109, "IMF Executive Board Concludes Discussion of 2011 Review of Conditionality" (www.imf.org/external/np/sec/pn/2012/pn12109.htm).

38 This interdepartmental working group was convened in 2011 to define the IMF's goals in the area of jobs and inclusive growth, identify gaps, and formulate a plan to fill them.

39 The Managing Director's October 2012 *Global Policy Agenda* is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/101312.pdf).

40 See PR No. 12/391, "Communiqué of the Twenty-Sixth Meeting of the International Monetary and Financial Committee" (www.imf.org/external/np/sec/pr/2012/pr12391.htm).

41 See PR No. 13/129, "Communiqué of the Twenty-Seventh Meeting of the International Monetary and Financial Committee" (www.imf.org/external/np/sec/pr/2013/pr13129.htm). The Managing Director's April 2013 *Global Policy Agenda* is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/042013.pdf).

42 The policy paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/031413.pdf).

43 The policy paper is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/061512.pdf).

44 See PIN No. 13/43, "IMF Executive Board Reviews the Policy on Debt Limits in Fund-Supported Programs" (www.imf.org/external/np/sec/pn/2013/pn1343.htm).

45 See "Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis" in Chapter 3 of the IMF's *Annual Report 2012: Working Together to Support Global Recovery* (www.imf.org/external/pubs/ft/ar/2012/eng/). For the purpose of the guidance note, market access countries are defined as those not eligible for support from the PRGT (see next section). This includes all advanced and most emerging market economies.

46 The guidance note is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/050913.pdf).

47 The policy paper that the Board discussed is available on the IMF's website (www.imf.org/external/np/pp/eng/2012/082712.pdf). Resolution refers to the activities undertaken when a financial institution fails—that is, when it is no longer viable and there is no reasonable prospect of its becoming so.

48 See PR No. 13/138, "IMF Publishes Revised Guidelines for Foreign Exchange Reserve Management" (www.imf.org/external/np/sec/pr/2013/pr13138.htm).

49 The IMF uses the same per capita income threshold as is used by the World Bank Group to determine eligibility for International Development Association resources, which is revised annually.

50 See PR No. 12/298, "IMF Executive Board Deems South Sudan Eligible for Concessional Lending" (www.imf.org/external/np/sec/pr/2012/pr12298.htm).

51 Specifically, any modifications to access, financing terms, blending, eligibility, and other relevant policies would be expected to be designed in a way that average demand in normal periods could be covered through the resources available under the first pillar, and that periods of high financing needs, for example, as a result of significant shocks, could be covered through the contingent mechanisms.

52 See PIN No. 12/118, "IMF Executive Board Approves the Distribution of Remaining Windfall Gold Sales Profits as Part of a Strategy to Make the Poverty Reduction and Growth Trust Sustainable over the Longer Term" (www.imf.org/external/np/sec/pn/2012/pn12118.htm); see also PR No. 12/368, "IMF Executive Board Approves Distribution of US$2.7 Billion in Remaining Windfall Gold Sales Profits as Part of a Strategy to Make Low-Income Lending Sustainable" (www.imf.org/external/np/sec/pr/2012/pr12368.htm).

53 See PR No. 12/505, "IMF Executive Board Approves Extension of Temporary Interest Waiver for Low-Income Countries" (www.imf.org/external/np/sec/pr/2012/pr12505.htm).

54 This is a gross amount, not netted for canceled arrangements.

55 Disbursements under financing arrangements from the GRA are termed "purchases," and repayments are referred to as "repurchases."

56 See PIN No. 13/33, "IMF Membership in the Financial Stability Board" (www.imf.org/external/np/sec/pn/2013/pn1333.htm).

57 See PR No. 12/422, "IMF to Open Regional Training Center for Sub-Saharan Africa in Mauritius" (www.imf.org/external/np/sec/pr/2012/pr12422.htm); PR No. 12/507, "IMF Managing Director Christine Lagarde Exchanges Financing Documents with Mauritius for New Africa Training Institute" (www.imf.org/external/np/sec/pr/2012/pr12507.htm); and PR No. 13/133, "IMF and Mauritius Sign Memorandum of Understanding to Create Africa Training Institute" (www.imf.org/external/np/sec/pr/2013/pr13133.htm).

58 See PR No. 13/134, "Ghana and IMF Sign Memorandum of Understanding to Create New Africa Regional Technical Assistance Center (AFRITAC) in Accra" (www.imf.org/external/np/sec/pr/2013/pr13134.htm).

59 See PR No. 12/242, "Joint Vienna Institute Celebrates 20th Anniversary with High-Level Conference" (www.imf.org/external/np/sec/pr/2012/pr12242.htm), as well as "Celebration of the 20th Anniversary of the Joint Vienna Institute" (www.imf.org/external/np/seminars/eng/2012/jvi/).

60 Technical assistance data include delivery to nonmembers, such as West Bank and Gaza, with the Executive Board's approval.

61 These figures are for total IMF training, which includes training delivered both through the Institute for Capacity Development program and outside of it.

62 For more information on the SDDS and GDDS, see "Factsheet: IMF Standards for Data Dissemination" (www.imf.org/external/np/exr/facts/data.htm).

63 See PR No. 12/283, "The Islamic Republic of Iran Begins Participation in the IMF's General Data Dissemination System" (www.imf.org/external/np/sec/pr/2012/pr12283.htm); PR No. 12/362, "Samoa Begins Participation in the IMF's General Data Dissemination System" (www.imf.org/external/np/sec/pr/2012/pr12362.htm); PR No. 12/406, "The Democratic Republic of Timor-Leste Begins Participation in the IMF's General Data Dissemination System" (www.imf.org/external/np/sec/pr/2012/pr12406.htm); PR No. 13/46, "The Union of the Comoros Joins the IMF's General Data Dissemination System" (www.imf.org/external/np/sec/pr/2013/pr1346); PR No. 13/104, "Tuvalu Joins the IMF's General Data Dissemination System" (www.imf.org/external/np/sec/pr/2013/pr13104); and PR No. 13/122, "Bosnia and Herzegovina Joins the IMF's General Data Dissemination System" (www.imf.org/external/np/sec/pr/2013/pr13122).

64 See PR No. 12/264, "IMF Unveils Japanese-Funded Project to Help Produce Internationally Comparable National Accounts and Price Statistics in South-Eastern Europe" (www.imf.org/external/np/sec/pr/2012/pr12264.htm); PR No. 12/394, "IMF Launches Japan-Funded Project to Improve External Sector Statistics in Asia and Pacific Countries" (www.imf.org/external/np/sec/pr/2012/pr12394.htm); and PR No. 12/440, "IMF Launches Japanese-Funded Project to Improve External Sector Statistics in the Pacific" (www.imf.org/external/np/sec/pr/2012/pr12440.htm).

65 See PR No. 12/185, "IMF Convenes Advisory Committee Meeting on Modernizing Government Finance Statistics" (www.imf.org/external/np/sec/pr/2012/pr12185.htm).

66 See PR No. 12/459, "BIS, ECB and IMF Publish Third Part of *Handbook on Securities Statistics*" (www.imf.org/external/np/sec/pr/2012/pr12459.htm).

67 See PR No. 12/284, "IMF Releases Balance of Payments and International Investment Position Statistics Based on the Latest International Standard" (www.imf.org/external/np/sec/pr/2012/pr12284.htm).

68 See PR No. 12/219, "IMF Releases Expanded Coordinated Direct Investment Survey" (www.imf.org/external/np/sec/pr/2012/pr12219.htm), and PR No. 12/473, "IMF Releases 2011 Coordinated Direct Investment Survey Results" (www.imf.org/external/np/sec/pr/2012/pr12473).

69 Direct investment is a category of cross-border investment in which a resident in one economy has control or a significant degree of influence on the management of an enterprise resident in another economy.

70 See PR No. 12/320, "IMF Releases 2012 Financial Access Survey Data" (www.imf.org/external/np/sec/pr/2012/pr12320.htm).

71 Data from these surveys are available on the IMF's website (at http://cdis.imf.org, http://cpis.imf.org, and http://fas.imf.org, respectively) and via the IMF's eLibrary (www.elibrary.imf.org).

72 See PR No. 12/438, "IMF Releases Results of 2011 Coordinated Portfolio Investment Survey" (www.imf.org/external/np/sec/pr/2012/pr12438.htm).

73 See PR No. 13/135, "International Monetary Fund and Arab Monetary Fund Welcome the Launching of ArabStat" (www.imf.org/external/np/sec/pr/2013/pr13135.htm).

74 See www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf.

75 See PR Nos. 12/221, 12/309, 12/499, and 13/127, "IMF Executive Board Reviews Progress toward Implementation of the 2010 Quota and Governance Reform" (www.imf.org/external/np/sec/pr/2012/pr12221.htm, www.imf.org/external/np/sec/pr/2012/pr12309.htm, www.imf.org/external/np/sec/pr/2012/pr12499.htm, and www.imf.org/external/np/sec/pr/2013/pr13127.htm).

76 See Box 5.1, "The Role of Quotas and Basic Votes," in the IMF's *Annual Report 2008: Making the Global Economy Work for All* (www.imf.org/external/pubs/ft/ar/2008/eng/), for additional information.

77 See PR No. 12/409, "New IMF Executive Board Begins Two-Year Term" (www.imf.org/external/np/sec/pr/2012/pr12409.htm).

78 The current additive quota formula consists of four variables. GDP has the largest weight (50 percent), consisting of a blend of GDP converted at market exchange rates (30 percent) and purchasing-power-parity-based GDP (20 percent). Openness, which measures the sum of current payments and receipts (30 percent); variability of current receipts and net capital flows (15 percent); and official foreign exchange reserves (5 percent) are the remaining variables. A compression factor of 0.95 is applied to the weighted sum of the four variables in the quota formula and reduces the dispersion in calculated quota shares across members. This has the effect of reducing the share calculated under the formula for the largest members, and raising those for all other countries.

79 See "Review of the Quota Formula" in Chapter 5 of the IMF's *Annual Report 2012: Working Together to Support Global Recovery* (www.imf.org/external/pubs/ft/ar/2012/eng/).

80 See PIN Nos. 12/94, 12/120, and 12/145, "IMF Executive Board Discusses Quota Formula Review (www.imf.org/external/np/sec/pn/2012/pn1294.htm, www.imf.org/external/np/sec/pn/2012/pn12120.htm, and www.imf.org/external/np/sec/pn/2012/pn12145.htm, respectively), as well as PR No. 13/30, "IMF Executive Board Reports on the Quota Formula Review" (www.imf.org/external/np/sec/pr/2013/pr1330.htm).

81 The Executive Board's report to the Board of Governors is available on the IMF's website (www.imf.org/external/np/pp/eng/2013/013013.pdf).

82 See "Quota and Voice Reform" in Chapter 5 of the IMF's *Annual Report 2008: Making the Global Economy Work for All* (www.imf.org/external/pubs/ft/ar/2008/eng/).

83 For more information on quota reviews, see "Factsheet: IMF Quotas" (www.imf.org/external/np/exr/facts/quotas.htm).

84 As part of the March 2011 expansion of the NAB, each new participant was required to notify the IMF of its adherence to the arrangements. Among the 14 new participants, as of April 30, 2013, Ireland and Greece had not provided this notification.

85 See PR No. 12/229, "IMF Executive Board Approves Modalities for Bilateral Borrowing to Boost IMF Resources" (www.imf.org/external/np/sec/pr/2012/pr12229.htm).

86 See PR No. 12/231, "IMF Managing Director Christine Lagarde Welcomes Additional Pledges to Increase IMF Resources, Bringing Total Commitments to US$456 Billion" (www.imf.org/external/np/sec/pr/2012/pr12231.htm), and PR No. 12/388, "IMF Managing Director Christine Lagarde Welcomes Pledges from Algeria and Brunei Darussalam to Boost Fund Resources" (www.imf.org/external/np/sec/pr/2012/pr12388.htm). These press releases referred to 37 member countries and 2 member countries, respectively. However, given the economic developments in one member (Cyprus), it is no longer included in the list.

87 See PR No. 12/471, "IMF Signs SDR 350 Million Borrowing Agreement with the National Bank of Belgium to Support Lending to Low-Income Countries" (www.imf.org/external/np/sec/pr/2012/pr12471.htm)

88 Because gold sales profits are part of the IMF's general resources available for the benefit of the entire membership, they cannot be placed directly in the PRGT, which is available only to low-income member countries. Accordingly, using these resources for PRGT financing required a distribution of the resources to all IMF member countries in proportion to their quota shares (see Web Box 5.1), on the expectation that members would direct the institution to transfer these resources (or would provide broadly equivalent amounts) to the PRGT as subsidy contributions.

89 See PR No. 12/389, "IMF Distributes US$1.1 Billion of Gold Sales Profits in Strategy to Boost Low-Cost Crisis Lending to Low-Income Countries" (www.imf.org/external/np/sec/pr/2012/pr12389.htm).

90 See PR No. 13/37, "IMF Approves New Rules and Regulations for Investment Account" (www.imf.org/external/np/sec/pr/2013/pr1337.htm).

91 For an explanation of the SDR and related issues, see "Factsheet: IMF Special Drawing Rights (SDRs)" (www.imf.org/external/np/exr/facts/sdr.htm).

92 See note 3 in Table 4.1 for an explanation of credit tranches.

93 The difference between gross and net expenditures relates to receipts, mostly external donor financing for capacity development activities carried out by the IMF.

94 Although the IMF's Annual Report covers the institution's activities during each financial year, Human Resources Department data on workforce characteristics are maintained on a calendar year, rather than a financial year, basis.

95 Progress on diversity is addressed in greater detail in the IMF's Diversity Annual Report (see also next subsection).

96 See PIN No. 12/100, "IMF Executive Board Discusses the 2011 Diversity Annual Report" (www.imf.org/external/np/sec/pn/2012/pn12100.htm). To change the reporting period from calendar year to the IMF's financial year, the 2011 report covered a 16-month period (calendar year 2011 through the end of FY2012 in April 2012), making it timelier relative to the Board's consideration of the report and aligning it with other major reports produced in the Human Resources Department.

97 See PR No. 13/119, "IMF Recognizes the Federal Government of Somalia" (www.imf.org/external/np/sec/pr/2013/pr13119.htm).

98 See PR No. 12/30, "Statement by the IMF Executive Board on Argentina" (www.imf.org/external/np/sec/pr/2012/pr1230.htm).

99 See PR No. 12/319, "Statement by the IMF Executive Board on Argentina" (www.imf.org/external/np/sec/pr/2012/pr12319.htm).

100 See PR No. 12/488, "Statement by the IMF Spokesman on Argentina" (www.imf.org/external/np/sec/pr/2012/pr12488.htm).

101 See PR No. 13/33, "Statement by the IMF Executive Board on Argentina" (www.imf.org/external/np/sec/pr/2013/pr1333.htm).

102 For the full text of the IMF's transparency policy, see "The Fund's Transparency Policy" (www.imf.org/external/np/pp/eng/2009/102809.pdf).

103 See "Key Trends in Implementation of the Fund's Transparency Policy" (www.imf.org/external/np/pp/eng/2012/071612.pdf).

104 See "Consultation on the 2013 Review of the IMF's Transparency Policy" (www.imf.org/external/np/exr/consult/2013/transpol/).

105 On May 1, 2013, the External Relations Department became the Communications Department.

106 The REOs are available via the REO web page on the IMF's website (www.imf.org/external/pubs/ft/reo/reorepts.aspx). Materials related to the REOs published in the course of the year can also be found on the website.

107 See PR No. 12/494, "IMF Management and Staff Welcome Opportunity to Discuss Independent Evaluation Office Report on International Reserves" (www.imf.org/external/np/sec/pr/2012/pr12494.htm) for the response of IMF management and the IMF staff to the evaluation.

108 See PR No. 13/54, "IMF Management and Staff Welcome Independent Evaluation Office's Report on the Role of IMF as Trusted Advisor" (www.imf.org/external/np/sec/pr/2013/pr1354.htm) for the response of IMF management and the IMF staff to the evaluation.

109 www.ieo-imf.org. Hard copies of this and many other IEO evaluation documents are also available from the IMF Bookstore (www.imfbookstore.org).

110 See PIN No. 12/54, "IMF Executive Board Discusses Implementation Plan in Response to Board-Endorsed Recommendations for the IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis" (www.imf.org/external/np/sec/pn/2012/pn1254.htm). The full text of the report, as well as the Summing Up of the Board discussion, is available on the IEO's website (www.ieo-imf.org).

111 See PIN No. 13/32, "IMF Executive Board Considers Implementation Plan Following IEO Evaluation of Research at the IMF" (www.imf.org/external/np/sec/pn/2013/pn1332.htm). The full text of the report, as well as the Summing Up of the Board discussion, is available on the IEO's website (www.ieo-imf.org).

112 See PIN No. 13/63, "IMF Executive Board Discusses Implementation Plan in Response to Board-Endorsed Recommendations for the IEO Evaluation of International Reserves—IMF Concerns and Country Perspectives" (www.imf.org/external/np/sec/pn/2013/pn1363.htm). The full text of the report, as well as the Summing Up of the Board discussion, is available on the IEO's website (www.ieo-imf.org).

113 See PIN No. 13/62, "IMF Executive Board Concludes Fifth Periodic Report on Implementing IEO Recommendations Endorsed by the Executive Board" (www.imf.org/external/np/sec/pn/2013/pn1362.htm).

114 The first external evaluation was published in 2006.

115 See PIN No. 13/40, "IMF Executive Board Considers External Evaluation of the Independent Evaluation Office" (www.imf.org/external/np/sec/pn/2013/pn1340.htm), as well as PR No. 12/285, "External Evaluation of the Independent Evaluation Office of the IMF Gets Underway" (www.imf.org/external/np/sec/pr/2012/pr12285.htm).

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