INTERNATIONAL MONETARY FUND

ANNUAL REPORT 2004

MAKING THE GLOBAL ECONOMY WORK FOR ALL

Contents

A Global Institution

The International Monetary Fund is a specialized agency of the United Nations system set up by treaty in 1945 to help promote the health of the world economy. Headquartered in Washington, D.C., it is governed by its almost global membership of 184 countries.

The IMF is the central institution of the international monetary system—the system of international payments and exchange rates among national currencies that enables business to take place among countries.

The IMF's statutory purposes include facilitating the balanced expansion of world trade, promoting the stability of exchange rates, avoiding competitive currency devaluations, and helping in the orderly correction of a country's balance of payments problems.

To achieve these goals, the IMF

- Monitors economic and financial developments and policies, in member countries and at the global level, and gives policy advice to its members based on its 60 years of experience.
- Lends to member countries with balance of payments problems, to provide temporary financing in support of adjustment and reform policies aimed at correcting the underlying problems.
- Provides the governments and central banks of its member countries with technical assistance and training in its areas of expertise.

By working to strengthen the international financial system and to accelerate progress toward reducing poverty, as well as promoting sound economic policies among all its member countries, the IMF is helping to make globalization work for the benefit of all.

This *Annual Report of the Executive Board of the IMF* reports on the activities of the Board during the financial year May 1, 2003, through April 30, 2004. Most of the Report consists of reviews of Board discussions of the whole range of IMF policy and operations. Further information is provided on the Fund's website: *www.imf.org.*

INTERNATIONAL MONETARY FUND

ANNUAL REPORT 2004

MAKING THE GLOBAL ECONOMY WORK FOR ALL

Highlights

The opening session of the joint IMF-World Bank Annual Meetings in Dubai, United Arab Emirates, September 2003—the first time the event had been held in the Middle East.

The IMF's work in FY2004 took place during a welcome recovery in the world economy after the slowdown of 2001–02. Global GDP growth in 2003 almost reached its long-term trend rate of 4 percent, while inflation remained subdued. World trade growth also picked up, and net private capital flows to emerging market and developing countries increased, as emerging market bond spreads narrowed.

The strengthening global recovery was led by the United States and a number of Asian economies, including China. Continuing low interest rates in the advanced economies, in an environment of more credible monetary policies and expansionary fiscal policies in several countries, contributed to the improvement in global growth. The strong performance of a number of emerging market economies reflected measures taken in recent years to improve their flexibility and resilience.

During FY2004, the IMF continued to work with its member countries to foster sustained growth and financial stability—and reduce poverty in its low-income members—through its surveillance activities and policy advice; lending in support of stabilization and reform programs; and technical assistance in formulating sound policies and building robust institutions.

Surveillance

As in previous years, a major part of the IMF's activities during the financial year were directly related to its responsibility for overseeing the international monetary system and the economic, financial, and exchange rate policies of member countries.

The Executive Board conducted its twice-yearly comprehensive assessments of the ***world economic outlook*** and ***global financial stability*** in August 2003 and March 2004. By March, the global economic recovery had strengthened and broadened, and Directors agreed that the focus of policy efforts should be on medium-term measures that would underpin the sustainability of growth while rebuilding room for maneuver to respond to possible future shocks. They observed that managing the transition to a higher interest rate environment would be a key challenge. Directors also agreed that the relatively benign conditions in mature and emerging financial markets provided a window of opportunity to focus policy attention on structural reforms.

The Fund completed ***Article IV (country) consultations*** with 115 members. It continued to emphasize financial sector surveillance. Under the IMF-World Bank ***Financial Sector Assessment Program*** (FSAP), introduced in 1999, over 100 countries have either undertaken an FSAP exercise or formally committed to do so; 58 assessments have been completed. During the 2003 FSAP exercises in both Germany and Japan, the Fund contributed to domestic debates on financial sector reform. Significant reforms related to FSAP exercises are under way in several developing countries, including Tanzania and Tunisia. In addition, as of end-April 524 Reports on the Observance of Standards and Codes (ROSCs) had been completed for 106 economies across 12 areas of interest.

Crisis Prevention and Resolution

During the financial year, the IMF's Board and staff took further steps to make Fund surveillance more effective.

The Fund sharpened its analytical tools—for example, ***debt sustainability assessments*** and ***balance sheet analysis***—and completed draft guidelines on ***financial soundness indicators.***

After the completion in October 2003 of the 12-month pilot program of the Fund and the World Bank for assessing ***anti-money-laundering/combating the financing of terrorism*** (AML/CFT) regimes, the Board decided that this work should be included in all Financial Sector Assessment Program reports and Offshore Financial Center (OFC) assessments. The Board endorsed the 40 + 8 Recommendations of the Financial Action Task Force as the new, expanded standard for AML/CFT assessments.

The Board also reviewed the ***OFC assessment program.*** To date, 41 of the 44 jurisdictions contacted by the IMF have undergone initial assessments.

Given the importance of ***good data for surveillance,*** during FY2004 the Board expanded, effective January 2005, the categories of data that members are obliged to provide to the Fund under Article VIII, Section 5, and set out a procedural framework for enforcing this obligation.

Besides working on crisis prevention tools, the IMF sought ways to ensure the more orderly resolution of crises that do occur. With the Fund's encouragement, the number of emerging market countries that are including ***collective action clauses*** (CACs) in their international sovereign bonds issued under New York law, where CACs have not been the market standard, has grown (to 18 as of end-April 2004). Sovereign bonds containing CACs accounted for more than 70 percent of the total volume of sovereign bonds issued during the second half of 2003 and early 2004.

Lending Policies and Facilities

To better meet the evolving needs of its members, the IMF made a number of changes to its lending policies and facilities during the year and reviewed the design of several programs and the policy conditions that borrowing countries are expected to meet.

Investors in Manila check asset prices. The Philippines has included collective action clauses—promoted by the IMF to facilitate crisis resolution—in its sovereign bonds issued under New York law.

The Fund's ***Contingent Credit Lines***—an instrument introduced in 1999 to provide a precautionary line of defense for countries vulnerable to contagion despite sound fundamentals—expired, unused, on November 30, 2003. Subsequently, the IMF began exploring the scope for adapting precautionary arrangements as an instrument for crisis prevention.

Schoolboy in front of his parents' shop in Aksum, Ethiopia—one of five low-income countries to reach their completion points under the HIPC Initiative during FY2004.

The IMF reviewed the policy framework relating to financing in amounts that exceed normal limits (***"exceptional access"***).

Based on the recommendations of the Independent Evaluation Office, the Fund introduced ***ex post assessments of IMF-supported programs.***

The Fund's ***Independent Evaluation Office*** issued two reports—one on the role of the Fund in capital account crises in Brazil, Indonesia, and Korea, and another on fiscal adjustment in IMF-supported programs. The latter report found that some common criticisms—notably, that IMF-supported programs adopted a "one-size-fits-all" approach, were inflexible, and caused a decline in social spending—were not supported by the evidence.

Support for Low-Income Countries

The main objective of the IMF's work with low-income countries is deep and lasting poverty reduction, as elaborated in the UN's Millennium Development Goals (MDGs). Working closely with the World Bank, and in the context of the policy frameworks set out in countries' Poverty Reduction Strategy Papers, the IMF provides its low-income members with policy advice, technical assistance, and concessional loans under the Poverty Reduction and Growth Facility (PRGF), and makes grants under the Heavily Indebted Poor Countries (HIPC) Initiative.

During the financial year, 36 countries received disbursements totaling SDR 865 million ($1.3 billion) under their ***PRGF arrangements.*** Ten new PRGF arrangements, with IMF loan commitments totaling SDR 955 million ($1.4 billion), were approved. As of April 30, 2004, 36 member countries' adjustment and reform programs were being supported by PRGF arrangements with total commitments of SDR 4.4 billion ($6.4 billion).

As of April 30, 2004, the Fund had committed SDR 1.8 billion ($2.6 billion) in grants and disbursed

SDR 1.2 billion ($1.7 billion) in ***HIPC assistance.*** By end-April, 27 countries had reached their ***decision points*** under the enhanced HIPC Initiative, and Ethiopia, Guyana, Nicaragua, Niger, and Senegal had reached their ***completion points,*** bringing the total to 13 countries.

The IMF and World Bank collaborated on the first ***Global Monitoring Report on Policies and Actions for Achieving the MDGs and Related Outcomes,*** which was discussed by the joint IMF/World Bank Development Committee in April 2004.

In March 2004, the IMF's Executive Board discussed the benefits of subsidizing the rate of charge for ***emergency assistance*** to PRGF-eligible countries hit by natural disasters and asked staff to prepare specific proposals for implementation.

Given concerns that many low-income countries will be unable to achieve the MDGs without increased external assistance, the staffs of the IMF and the World Bank have proposed a ***debt sustainability framework*** to guide both the borrowing decisions of these countries and the lending and grant-allocation decisions of official creditors and donors.

To enhance aid predictability and effectiveness, the Fund is working on ***donor harmonization*** with the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) and the multilateral development banks.

Trade

A few months after the ***Doha Round trade talks*** stalled in Cancún in September 2003, the Fund's Managing Director and the World Bank's President sent a joint letter to heads of state and government as well as finance and trade ministers stressing the importance of the successful completion of the round, and, in particular, the importance of liberalizing agricultural trade and the need for greater flexibility in applying trade regulations with which poor countries may be unable to comply.

In April 2004, the IMF's Board approved a new financing policy, the ***Trade Integration Mechanism,*** under which the Fund will help countries suffering temporary balance of payments shortfalls arising from trade liberalization by other countries.

The Fund also provided ***technical assistance*** to a number of countries in customs and tax and tariff reform; collaborated with other agencies and donors in the Integrated Framework for Trade-Related Technical Assistance to help incorporate trade reforms in national poverty reduction strategies; identified potential risks and helped authorities understand the benefits of international integration; and studied the impact of trade reforms on member countries.

Technical Assistance and Training

The IMF provides technical assistance to member countries and training for their officials, both at its Washington, D.C., headquarters and at regional centers.

The ***amount of technical assistance*** provided by the Fund increased in FY2004 to 367 person-years, from 356 in FY2003. Sub-Saharan Africa continued to be the largest recipient region, but technical assistance increased in the Asia-Pacific region, in part because of the assistance provided to post-conflict countries such as Cambodia and Timor-Leste, and increased assistance to China, Indonesia, and Mongolia. A number of countries in central and eastern Europe received technical assistance related to their preparation for joining the European Union on May 1, 2004.

In May 2003, the Fund opened its second ***regional technical assistance center*** in Africa. West AFRITAC, which is located in Bamako, Mali, will serve Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo.

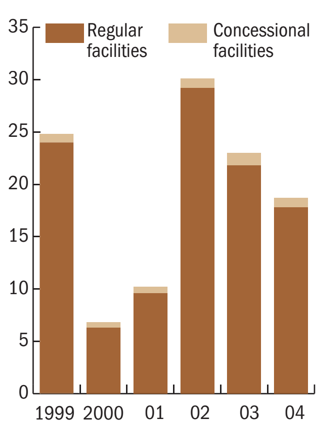
External financing accounted for 29 percent of total assistance delivered by the IMF in FY2004.

Governance, Cooperation, and Transparency

At the IMF–World Bank April 2004 meetings, the Communiqué of the International Monetary and Financial Committee (IMFC) called for continued efforts to enhance the capacity

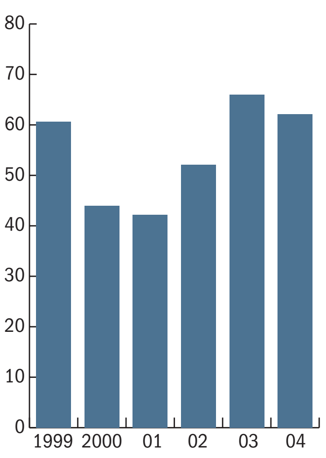
Regular and Concessional Lending (Disbursement)

(In billions of SDRs, financial year)



IMF Credit Outstanding[1]

(In billions of SDRs, end of financial year)



[1]Excludes concessional lending.

of developing countries to participate more effectively in IMF decision making, and called for the Board to continue working on ***quotas, voice, and representation.*** The Development Committee circulated a proposed road map on procedures and next steps.

The Board also reviewed the Fund's ***transparency policy.*** Publication of Article IV country reports increased in FY2004—nearly three-fourths of the Fund's member countries agreed to publish at least one country report, and nearly all documents summarizing countries' policy intentions were published. To further enhance transparency, the Board established a policy of presumed but still voluntary publication for all reports on the use of Fund resources and post-program monitoring, as well as Article IV reports.

Financial Operations

The improvement in global economic conditions and increased resilience of many emerging market economies were reflected in reduced demand for IMF lending.

New commitments under the Fund's regular loan facilities dropped from SDR 29.4 billion ($42.7 billion) in FY2003 to SDR 14.5 billion ($21.1 billion) in FY2004. Together, Argentina and Brazil accounted for more than 90 percent of total new commitments. The Fund also approved or augmented Stand-By Arrangements with the Dominican Republic, Guatemala, Paraguay, and Ukraine, and Burundi received SDR 9.6 million ($13.9 million) in post-conflict emergency assistance. (For lending to low-income countries, see above.)

The Fund's ***outstanding credit*** reached an all-time high of SDR 70 billion ($101.6 billion) in September 2003 but declined to SDR 62.2 billion ($90.3 billion) by the end of the financial year, SDR 3.5 billion ($5.1 billion) less than a year earlier, mostly owing to large net repayments by Brazil, and to a lesser extent, Russia and Turkey.

The IMF's one-year ***forward commitment capacity***—the quota-based resources available for new lending over the next 12 months, which provides the main measure of the IMF's liquidity or lending capacity—had declined to SDR 58 billion ($84 billion) at end-April 2004 from SDR 61 billion ($89 billion) a year earlier, primarily because of the Fund's large commitments to Argentina and Brazil.

Human Resources, Organization, and Administration

Several ***senior personnel*** changes took place. Managing Director Horst Köhler resigned in March 2004 to accept the nomination for the Presidency of Germany, to which he was elected in May. He was succeeded in June 2004 by Rodrigo de Rato, who served as Spain's Minister of Economy and Vice President for Economic Affairs during 2000–04. Deputy Managing Director Eduardo Aninat left the Fund in June 2003, and Deputy Managing Director Shigemitsu Sugisaki retired in January 2004. Mr. Aninat was succeeded by Agustín Carstens, former Deputy Secretary of Finance in Mexico, and Mr. Sugisaki by Takatoshi Kato, who has held important posts in government, business, and academia in Japan. Raghuram G. Rajan, Professor of Finance at the University of Chicago, succeeded Kenneth Rogoff as the Fund's Economic Counsellor and Director of the Research Department in October 2003.

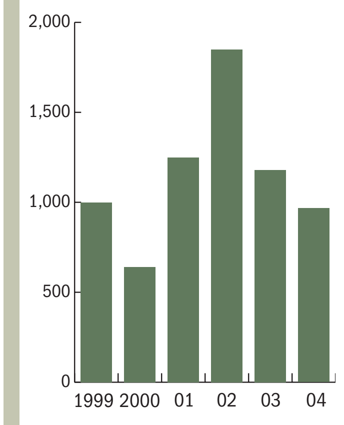
There were also some ***departmental changes.*** The European II Department, formed in 1992 to work with the 15 countries of the former Soviet Union, was dissolved and responsibility for these countries was transferred partly to the European Department and partly to the Middle East and Central Asia Department. The African Department was reorganized to increase its effectiveness.

The IMF's net ***administrative expenses*** in FY2004 were $747.6 million, a 3.8 percent increase over last year's expenditure outturn, the lowest such increase since FY1997. Expenditures were well under budget. Efficiency gains, lower-than-projected personnel and travel costs, and higher-than-forecast reimbursements contributed to the underrun in net expenditures; in addition, contingencies were not utilized. The Fund continued to modernize its internal budget procedures.

Then–Managing Director Horst Köhler visiting Madagascar in July 2003. Mr. Köhler resigned in March 2004 to accept the nomination for the Presidency of Germany.

PRGF—New Commitments[1]

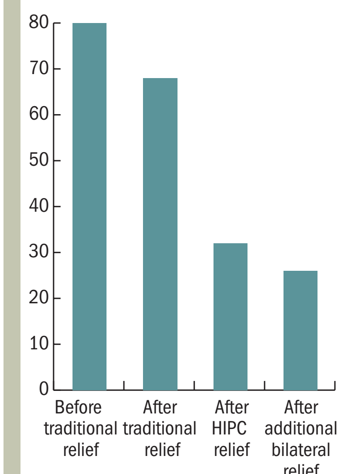
(In millions of SDRs, financial year)



[1]Includes augmentations less approved reduction.

HIPCs—Debt Reduction[1]

(In billions of U.S. dollars, in 2003 net-present-value terms)



[1]For the 27 countries that had reached their decision points as of April 30, 2004.

Message from the Managing Director

Although my signature appears on this Annual Report, the IMF's activities during the past financial year took place under the leadership of my predecessor, Horst Köhler—who served as Managing Director and Chair of the Executive Board from May 2000 to March 2004—and of his first deputy, Anne O. Krueger, who was Acting Managing Director until I took up my position in June. Theirs is the credit for leading the IMF's work during the year.

The beginning of my term coincides with the 60th anniversary of the IMF and the World Bank. I have been considering the past achievements of the Fund and the lessons to be learned from its experience, and also looking to its future. Whether looking back or looking ahead, I see the IMF's main role as promoting economic and financial stability and improving the prospects for sustained growth worldwide. This is the Fund's core mandate, as relevant to the challenges that countries face in the early twenty-first century as it was at the end of World War II.

But what it takes to promote such economic and financial stability has changed markedly since 1944 because of global developments. In recent years, the IMF has adapted many of its tools and designed new ones—in the areas of surveillance, lending, and technical assistance—to strengthen its work on crisis prevention and resolution, and to enhance its contribution to poverty reduction in low-income countries.

I believe that these initiatives continued to show results in financial year 2004. The global economic recovery gathered pace and broadened, after a relatively mild slowdown, with inflation remaining subdued. A number of low-income countries that have made progress in curbing inflation, establishing better control of finances, and implementing reforms have experienced significant improvements in economic performance, benefiting the poor. In fact, Africa saw its best growth performance since the mid-1990s. The international financial system continued to display remarkable resilience in the wake of the shocks of recent years—including sharp equity market declines, the terrorist attacks of 9/11, and the Iraq war—and I am sure that this was due, in part, to the increased safeguards and policy improvements put in place over the past decade.

The year also saw the consolidation of many recent Fund initiatives. One of the most important of these has been the push for more transparency in economic policies and developments. During the year, the IMF released more and better information about its activities and its member countries' economies than ever before: three-fourths of the Fund's country reports were published, as were almost all policy papers. This increased transparency promotes greater accountability and helps markets assess risks more accurately. In the area of surveillance, intensive health check-ups of financial sectors continued to be carried out through the Financial Sector Assessment Program (FSAP) introduced in 1999. The

Fund also honed some of its innovative tools—such as debt sustainability assessments and balance sheet analysis—so that it can more effectively evaluate the vulnerabilities of, and risks faced by, countries and regions.

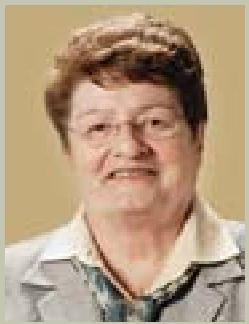
A dynamic global market economy will tend to experience occasional crises, and the IMF's role must then be to help the countries affected, by providing policy advice and financial support, to mitigate the impact of the crises, shorten their duration, and restore stability and growth. Throughout the year, the Fund took further steps to improve its ability to help resolve crises, including by promoting collective action clauses in sovereign bonds and clarifying policies on exceptional access to Fund resources in capital account crises. Fund-supported programs increasingly reflected the guidelines on streamlined conditionality introduced in 2002. One of the lessons of recent years is that the IMF needs to say "no" to potential borrowers selectively, perhaps more assertively, and, above all, more predictably, than it has in the past. We may have to think of ways of linking access to Fund resources more explicitly to a country's policy efforts before a crisis and, perhaps, to its responsiveness to the surveillance process and its adherence to international financial standards and codes. The Contingent Credit Lines, which expired during the year, took steps in this direction, and the issue of possible alternative precautionary arrangements is on our work program.

Another focus of financial year 2004 was the IMF's role in the ongoing war on poverty in low-income countries. The UN's Millennium Development Goals (MDGs) provide clear objectives for low-income countries and their partners in the international community. The IMF-World Bank joint Poverty Reduction Strategy Paper (PRSP) approach, together with the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, both introduced in 1999, define the Bretton Woods institutions' basic approach to poverty reduction. I believe it is the right approach, and during FY2004 we continued to see signs that this approach is bearing fruit. Nevertheless, formidable obstacles remain, as highlighted in the June 2004 *Global Monitoring Report* on the progress countries are making toward the MDGs. Especially important for developing countries is a successful conclusion to the Doha Round of trade negotiations begun in 2001, although it is a must for all countries.

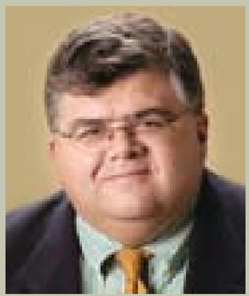
I am proud to be leading an institution that has such strong traditions of serving as the forum for successful international cooperation, of learning from research and from experience, and of constantly adapting its tools to meet the needs of a changing global environment. As I look ahead, I am confident these will continue to be the hallmarks of the IMF.

Rodrigo de Rato
Managing Director and
Chair of the Executive Board

Deputy Managing Directors
on April 30, 2004



Anne O. Krueger
First Deputy Managing Director

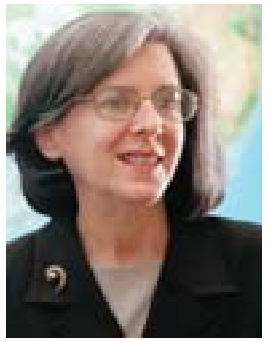


Agustín Carstens
Deputy Managing Director

Takatoshi Kato
Deputy Managing Director

Executive Board

on April 30, 2004



United States

Nancy P. Jacklin
Meg Lundsager

Japan

Ken Yagi
Michio Kitahara

Germany

Karlheinz Bischofberger
Gert Meissner

Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, FYR Macedonia, Moldova, Netherlands, Romania, Ukraine

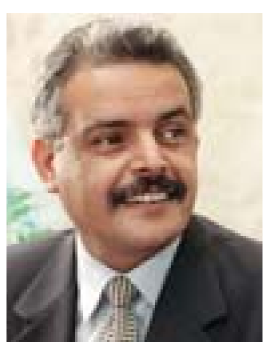
Jeroen Kremers
Yuriy G. Yakusha

Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela

Luis Martí
Moises Schwartz

Albania, Greece, Italy, Malta, Portugal, San Marino, Timor-Leste

Pier Carlo Padoan
Harilaos Vittas

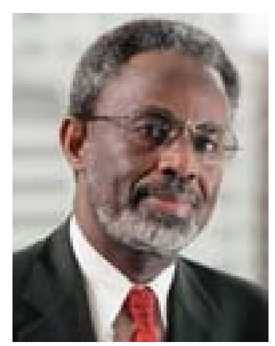


Saudi Arabia

Sulaiman M. Al-Turki
Abdallah S. Alazzaz

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, Vietnam

Sri Mulyani Indrawati
Ismail Alowi



Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia

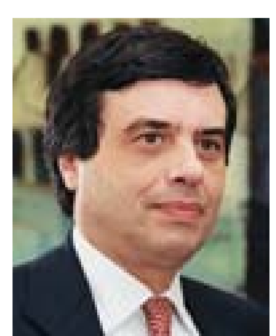
Ismaila Usman
Peter J. Ngumbullu

Russian Federation

Aleksei V. Mozhin
Andrei Lushin

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia

Abbas Mirakhor
Mohammed Daïri



Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, Trinidad and Tobago

Murilo Portugal
Roberto Steiner

Note: Alternative Executive Directors are indicated in italics.

France

Pierre Duquesne
Sébastien Boitreaud

United Kingdom

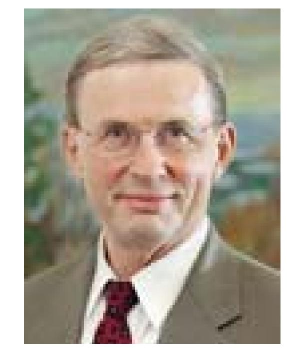
Tom Scholar
Martin A. Brooke

Austria, Belarus, Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Slovenia, Turkey

Willy Kiekens
Johann Prader

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines

Ian E. Bennett
Charles X. O'Loghlin



Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden

Jon A. Solheim
Benny Andersen

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Philippines, Samoa, Seychelles, Solomon Islands, Vanuatu

Michael J. Callaghan
Michael H. Reddell

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Yemen

A. Shakour Shaalan
Oussama T. Kanaan

China

WANG Xiaoyi
GE Huayong

Azerbaijan, Kyrgyz Republic, Poland, Serbia and Montenegro, Switzerland, Tajikistan, Turkmenistan, Uzbekistan

Fritz Zurbrügg
Wieslaw Szczuka

Bangladesh, Bhutan, India, Sri Lanka

B.P. Misra
R.A. Jayatissa

Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay

Guillermo Le Fort
Héctor Torres

Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Dem. Rep. of the Congo, Rep. of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo

Damian Ondo Mañe
Laurean W. Rutayisire

Senior Officers

on April 30, 2004

Gerd Häusler, Counsellor
Raghuram G. Rajan, Economic Counsellor

Area Departments

Abdoulaye Bio-Tchané
Director, African Department

David Burton
Director, Asia and Pacific Department

Michael C. Deppler
Director, European Department[1]

Mohsin S. Khan
Director, Middle East and Central Asia Department[1]

Anoop Singh
Director, Western Hemisphere Department

Functional and Special Services Departments

Eduard Brau
Director, Finance Department

Teresa M. Ter-Minassian
Director, Fiscal Affairs Department

Leslie Lipschitz
Director, IMF Institute

Gerd Häusler
Director, International Capital Markets Department

François P. Gianviti
General Counsel, Legal Department

Stefan Ingves
Director, Monetary and Financial Systems Department

Mark Allen
Director, Policy Development and Review Department

Raghuram G. Rajan
Director, Research Department

Carol S. Carson[2]
Director, Statistics Department

[1]The European I Department, European II Department, and Middle Eastern Department were reconfigured on November 1, 2003, to form the European Department and the Middle East and Central Asia Department.

Information and Liaison

Thomas C. Dawson II
Director, External Relations Department

Hiroyuki Hino
Director, Regional Office for Asia and the Pacific

Flemming Larsen
Director, Offices in Europe

Reinhard Munzberg
Director and Special Representative to the UN, Office at the United Nations

Support Services

Margaret R. Kelly[3]
Director, Human Resources Department

Shailendra J. Anjaria
Secretary, Secretary's Department

Brian C. Stuart
Director, Technology and General Services Department

Offices

Barry Potter
Director, Office of Budget and Planning

Alain Coune
Director, Office of Internal Audit and Inspection

Claire Liuksila
Director, Office of Technical Assistance Management

Montek Singh Ahluwalia
Director, Independent Evaluation Office

Jeanette Morrison
Chief, Editorial and Publications Division

[2]Robert Edwards will assume the position of Director, Statistics Department, when Carol Carson relinquishes her responsibilities as Director on September 1, 2004.

[3]Jorge Márquez-Ruarte assumed the position of Director, Human Resources Department, when Margaret Kelly relinquished her responsibilities as Director on July 5, 2004.

Letter of Transmittal to the Board of Governors

August 27, 2004

Dear Mr. Chairman:

I have the honor to present to the Board of Governors the Annual Report of the Executive Board for the financial year ended April 30, 2004, in accordance with Article XII, Section 7*(a)* of the Articles of Agreement of the International Monetary Fund and Section 10 of the IMF's By-Laws. In accordance with Section 20 of the By-Laws, the administrative and capital budgets of the IMF approved by the Executive Board for the financial year ending April 30, 2005, are presented in Section 8. The audited financial statements for the year ended April 30, 2004, of the General Department, the SDR Department, and the accounts administered by the IMF, together with reports of the external audit firm thereon, are presented in Appendix IX.

Rodrigo de Rato
Managing Director and Chair of the Executive Board

Contents

Boxes

Tables

Figures

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

The unit of account of the IMF is the SDR; conversions of IMF financial data to U.S. dollars are approximate and provided for convenience. As of April 30, 2004, the SDR/U.S. dollar exchange rate was US$1 = SDR 0.68879, and the U.S. dollar/SDR exchange rate was SDR 1 = US$1.45183. The year-earlier rates (April 30, 2003) were US$1 = SDR 0.722589 and SDR 1 = US$1.38391.

The following conventions are used in this Report:

— to indicate that the figure is zero or less than half the final digit shown or that the item does not exist;

– between years or months (for example, 2003–04 or January–June) to indicate the years or months covered, including the beginning and ending years or months;

/ between years or months (for example 2003/04) to indicate a fiscal or financial year.

"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 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.