Governance and management of the IMF

CHAPTER • 9

The IMF is accountable to its Board of Governors and thus to the governments of its 184 member countries, which, in collaboration with its management, decide on its policies, operations, and work program for each year (see Boxes 9.1 and 9.2 on how the IMF is run).

One of the priorities of the Fund's Medium-Term Strategy is to enhance the IMF's governance and boost its effectiveness and credibility by addressing issues related to members' quotas and voting power. Quotas, which are allocated largely on the basis of the relative size of countries' economies, help to determine members' voting rights in the Fund and determine the amounts they are allowed to borrow.[1] During FY2006, the Executive Board and IMF management explored proposals from the membership on how to adjust quotas and voting power so as to reflect the emerging market countries' growing role in the world economy and to give smaller member countries, especially countries in sub-Saharan Africa, which account for a large share of the Fund's work, a greater voice. In a seminar in September 2005, the Board explored options for moving forward in this area.

The IMF has increased its transparency and communications and outreach activities over the past decade and maintains an active publishing program and Web site, as described in Box 9.3. In FY2006, it continued to deepen its dialogue with legislators and various nonofficial groups, eliciting the views of stakeholders in its member countries on a number of issues, including its Medium-Term Strategy, and seeking to build consensus around its policy advice. In June 2005, the Board reviewed the Fund's transparency policy.

The IMF is committed to following best international practices for internal governance and to ensuring the most effective use of resources. During FY2006, the Fund developed a new medium-term budgetary framework in line with the priorities outlined in the Medium-Term Strategy; reformed its employment, compensation, and benefits framework; evaluated options for putting the Fund's income on a sounder financial footing (see Chapter 8); and set up a task force to review the Fund's risk management (Box 9.4). It also reexamined the division of labor with the World Bank (Box 9.5). The IMF collaborates with the World Bank and other international and regional bodies—such as the regional development banks, the international standard-setting bodies, the World Trade Organization, and the UN agencies—in a number of areas to maximize the use of its resources and avoid duplication of efforts. In FY2006, it collaborated with a group of organizations in the development of an international approach to fighting corruption (see Box 9.6).

Quotas and voice

On January 30, 2003, the IMF's Board of Governors adopted a resolution concluding the Twelfth General Review of Quotas without proposing an increase. The resolution also noted the Executive Board's intention during the Thirteenth General Review, which is to be concluded by January 2008, to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy, and to consider measures to strengthen the governance of the Fund. The IMF's Articles of Agreement provide for substantial flexibility in the adjustment of quotas: such adjustments can take place at any time, and the Board has considerable flexibility in determining the basis for and composition of such adjustments.

At a seminar in September 2005, Executive Directors held a preliminary exchange of views on the issue of quotas and voice. Most Directors appeared to support—as a pragmatic way forward—continued exploration of ways to achieve an adjustment in quotas and voting power in the absence of a general quota increase. Three broad options were considered: ad hoc increases for selected countries whose quotas are most out of line; voluntary adjustments among country groups or individual members; and an increase in basic votes.

Many Directors saw a need for ad hoc quota increases for countries whose quotas were most out of line. Such

[1]Under the IMF's Articles of Agreement, general reviews of quotas are conducted at intervals of not more than five years. Each country's voting power in the IMF, set by the Articles of Agreement, is the sum of its 250 basic votes (the same for each member) and one vote per SDR 100,000 of its quota in the Fund. Until the mid-1970s, each member's basic votes accounted for more than 10 percent of total votes; however, general increases in quotas have since reduced that share to about 2 percent. For more information about quotas, see *www.imf.org/external/np/exr/facts/quotas.htm*.

Box 9.1 How the IMF is run

The highest decision-making body of the IMF is the *Board of Governors,* which is appointed by the member countries. Some of the Board of Governor's powers are delegated to the Fund's *Executive Board,* which is composed of 24 *Executive Directors,* who are appointed or elected by the member countries.

The Board of Governors consists of one governor and one alternate governor from each of the IMF's 184 member countries. The governor is usually the member country's minister of finance or the head of its central bank. All governors meet once a year at the IMF–World Bank Annual Meetings.

There are two committees of governors that represent the whole membership. The *International Monetary and Financial Committee* (IMFC) is an advisory body composed of 24 IMF governors (or their alternates) representing the same countries or constituencies (groups of countries) as the 24 Executive Directors. The IMFC normally meets twice a year, in March or April and at the time of the Annual Meetings in September or October. Its responsibilities include providing guidance to the Executive Board and advising and reporting to the Board of Governors on issues related to the management of the international monetary system. The current Chairman of the IMFC is Gordon Brown, Chancellor of the Exchequer of the United Kingdom. The *Development Committee* (formally, the Joint Ministerial Committee of the Boards of Governors of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries) is a joint World Bank–IMF body composed of 24 World Bank or IMF governors or their alternates. The Committee serves as a forum that helps build intergovernmental consensus on development issues. It also normally meets twice a year, following the IMFC meetings. Both committees summarize their meetings in communiqués, which are published on the IMF's Web site and in its *Annual Reports* (see Appendix IV).

The day-to-day oversight of the work of the IMF is conducted at its Washington, D.C., headquarters by its Executive Board; this work is guided by the IMFC and supported by the IMF's staff. The Managing Director is Chair of the Executive Board and head of the IMF staff; he is assisted by a First Deputy Managing Director and two other Deputy Managing Directors. The Executive Board has a central role in policy formulation and decision making in the IMF, and exercises all the powers for conducting the institution's business except those that the Articles of Agreement reserve for the Board of Governors or the Managing Director. The Board meets in "continuous session," that is, as often as the business at hand requires, usually for three full days each week. In calendar 2005, total Board meeting time amounted to about 462 hours. The Board held 266 formal meetings (including those in which decisions were made), 10 informal seminars, and 92 other informal meetings, including committee meetings (Box 9.2). It spent 42 percent of its time on member country matters (mainly Article IV consultations and reviews and approvals of IMF financing arrangements); 28 percent of its time on global and regional surveillance and general policy issues (such as the *World Economic Outlook, Global Financial Stability Report,* IMF financial resources, the international financial system, the debt situation, low-income countries, and issues related to IMF lending facilities and program design); and the remaining time on committees and administrative and other matters. The Executive Board's seven-day calendar can be found at *www.imf.org/external/np/sec/bc/eng/index.asp.*

increases had been agreed in the past and could be accommodated without requiring a reduction in other members' actual quotas, although quota shares would decline for all other members. However, a consensus was not reached.

Progress on the second option—voluntary adjustments among country groups or individual members as a means of reallocating existing quotas to members that are "underrepresented"—would be challenging since members have the right to veto the reduction of their own quotas. The implications for the Fund's liquidity will need to be taken into account.

As for the third option, Directors underscored the desirability of ensuring adequate representation of developing countries in the Fund's decision making. Most Directors considered that an increase in basic votes would be the most effective means of ensuring appropriate representation for the smallest members, although they recognized the difficulties likely to be involved in achieving the required amendment of the Articles of Agreement. A few saw scope for ad hoc quota increases for small countries if a consensus on basic votes is not achievable. At the same time, a number of Directors considered that an increase in basic votes would not of itself be sufficient to address broader concerns about relative voting power across the membership as a whole and should be combined with increases in the quota shares of developing countries. Concerns were also expressed that proposals regarding basic votes or ad hoc increases would have to be consistent with the overarching principle that voting power in the Fund remain linked to countries' relative economic and financial weight.

The discussion revisited some of the issues surrounding quota formulas. Many Directors reiterated their support for a simpler and more transparent quota formula. Most felt that such a formula should be based on an updating of the traditional economic and financial variables and comprise at most four variables, including GDP as the most important indicator of countries' economic size, along with measures of openness, variability of current receipts and net capital flows, and reserves. Although Directors' views converged on the objectives of simplicity and transparency in quota formulas, there remained a range of views on the details and the weights to be assigned to the variables, and a number of Directors viewed agreement on a new quota formula as an integral part of any adjustment in actual

Box 9.2 Executive Board standing committees

There are currently 10 standing committees on which Executive Directors serve:

- The **Committee on Administrative Policies** considers and makes recommendations to the Executive Board on matters of administrative policy requiring action by the Board that are referred to it by the Chairman, the Board, or individual Executive Directors.
- The **Committee on the Budget** considers the Managing Director's budget proposals and other material circulated by the Managing Director regarding the Fund's administrative and capital budgets. It makes its views on the budget proposals known to the Executive Board and meets as needed to consider budget implementation.
- The **Committee on Executive Board Administrative Matters** considers and reports to the Executive Board on aspects of administrative policy relating to the Executive Directors and their Alternates or senior advisors, advisors, and assistants referred to it by the Executive Board or by an Executive Director.
- The **Agenda and Procedures Committee** contributes to the development and smooth implementation of the Executive Board's work program.
- The **Committee on Liaison with the World Trade Organization** considers and makes recommendations to the Executive Board on issues that arise concerning the Fund's relationship to the WTO or in connection with matters of common interest to the Fund and the WTO.
- The **Evaluation Committee** follows closely the evaluation function in the Fund and advises the Executive Board on matters relating to evaluations.
- The **Committee on Interpretation** considers and makes reports and recommendations to the Executive Board on questions of interpretation. Legal questions are sent to the Committee by the Executive Board at the request of an Executive Director.
- The **Pension Committee** decides matters of a general policy nature arising under the Staff Retirement Plan.
- The **Ethics Committee** considers matters relating to the Code of Conduct for IMF staff and may also provide guidance to Executive Directors, at their request, on ethical aspects of the conduct of their Alternates, advisors, and assistants.
- The **Committee on the Annual Report** reviews and makes recommendations to the Executive Board on the format and content of the Fund's *Annual Report* in line with the provisions of the Fund's Articles of Agreement and By-Laws, as well as with the Fund's commitment to transparency and role in the international monetary system. The Committee aims to ensure that the *Annual Report* helps promote the Fund's accountability.

Board standing committees are reconstituted by decisions of the Executive Board following the regular election every two years of Executive Directors, on the basis of a proposal by the Managing Director following consultation with the Dean of the Board. Several long-standing principles have guided the proposals for constituting the membership of Board committees: the desirability of a reasonable geographical balance in the composition of each committee; a need for rotation, with some continuity; and maintenance of a reasonable distribution of the burden of committee work among Executive Directors. There are formal requirements for some committees concerning the number of members. In addition, account is taken, to the extent possible, of the preferences of individual Executive Directors.

Executive Directors hold the chairmanship of all but three Board committees—namely, the Committee on Administrative Policies, the Committee on the Budget, and the Pension Committee, which are chaired by the Managing Director or one of his representatives. The Secretary of the Fund, or his representative, serves as the Secretary of every Committee except the Ethics Committee. Executive Directors may participate in all regular meetings of the Executive Board's committees.

quotas. However, many other Directors noted the extensive discussions on this topic in the past and the likely difficulty of reaching a timely consensus on a new quota formula and saw no need to link an adjustment of quotas to agreement on a revised formula.

The issue was raised again in the Managing Director's "Report to the International Monetary and Financial Committee (IMFC) on Implementing the Medium-Term Strategy" (see Chapter 2), discussed by the IMFC at its meeting in April 2006. In its communiqué of April 22, 2006, the IMFC emphasized the importance of fair voice and representation for all members and underscored the role an ad hoc increase in quotas would play in improving the distribution of quotas to reflect important changes in the weight and role of countries in the world economy. It agreed on the need for fundamental reforms and called upon the Managing Director to work with the IMFC and the Executive Board in developing concrete proposals to put before the membership at the World Bank–IMF Annual Meetings in September 2006 (see Appendix IV).

Transparency

The IMF's transparency policy stems from an Executive Board decision in January 2001 to allow the voluntary publication of country documents and systematic publication of policy papers and associated Public Information Notices (PINs). The decision followed steps that had been taken since 1994 to enhance the transparency of the IMF and to increase the availability of information about its members' policies. It also defined the key elements of the IMF's publication policy, including safeguards to maintain the frankness of the Fund's policy discussions with members by striking the right balance between transparency and confi-

Box 9.3 Disseminating information: the IMF's publishing operations and Web site

The IMF publishes a wide variety of material targeted at a broad range of readerships. Many of the Fund's publications are available both in print and on its Web site (*www.imf.org*).

- The *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR) are the main vehicles through which the IMF publicizes its global surveillance findings and some of its most significant analytical work.
- The IMF releases a large number of reports and other country documents covering economic and financial developments and trends in member countries. Each report, based on the staff's analytical work and meetings with country officials, is prepared independently by a staff team and published at the option of the members. This series includes Article IV Reports, Reports Related to Use of IMF Resources, Selected Issues papers, and Statistical Appendixes. In almost all cases, Executive Board discussions on these papers are summarized in Public Information Notices (PINS), which are available on the IMF's Web site.
- The IMF's *Annual Report* provides a comprehensive look at the IMF's activities in each financial year and is designed to be used as a reference tool.
- The *Annual Report on Exchange Arrangements and Exchange Restrictions* presents information on the exchange and trade systems of the IMF's member countries in a tabular format.
- Staff research on the international monetary system and other topical subjects is published in *IMF Staff Papers*, a quarterly journal; the quarterly newsletter *IMF Research Bulletin;* the IMF Working Papers series; the Occasional Papers series; books; and various other publications.
- The Fund's *Dissemination Standards Bulletin Board* (*dsbb.imf.org/Applications/web/dsbbhome*) provides links to the data and statistical Web sites of subscribers to the Special Data Dissemination Standard (SDDS) and participants in the General Data Dissemination System (GDDS) and presents comprehensive information on the methods and practices behind the compilation and dissemination of such data in a user-friendly format comparable across countries.
- *International Financial Statistics (IFS)*, produced monthly, provides updated financial information from countries around the world; the IMF's Statistics Department also produces a yearbook containing annual data over 12 years for the countries covered in the monthly publication. The *IFS* database is available online to subscribers. Other statistical publications include the *Balance of Payments Statistics Yearbook, Government Finance Statistics Yearbook,* and *Direction of Trade Statistics* (quarterly, yearbook, and CD-ROM issues).
- Guides and manuals published by the Fund cover a variety of subjects, such as balance of payments statistics and compilation, external debt statistics, foreign direct investment trends, monetary and financial statistics, the producer price index, and financial soundness indicators.
- The biweekly newsletter *IMF Survey* reports on current IMF policies and activities, and its annual companion, *IMF In Focus,* offers a clear, concise picture of IMF policies and operations.
- Pamphlets such as *What Is the IMF?* and *IMF Technical Assistance* are written for the nonspecialist, as are factsheets and issues briefs posted on the IMF's Web site, which aim to explain key aspects of IMF operations and policies.
- The quarterly magazine *Finance and Development (F&D)* and the Economic Issues series (pamphlets on broad economic subjects related to the Fund's areas of expertise) are written in nontechnical language and aimed at disseminating information on topical subjects to nonspecialists.
- Op-eds in publications worldwide and speeches published on the external Web site offer broad overviews of the IMF and its policies.
- An on-line, quarterly *Civil Society Newsletter* (*www.imf.org/external/np/exr/cs/eng/index.asp*) covers IMF activities and issues of particular interest to civil society organizations.
- Videos about the work of the IMF are available to interested media, educational institutions, and social organizations, and are also used in recruitment activities.
- Educational material is available from the IMF Center and at *www.imf.org/econed*. The IMF Center hosts a permanent exhibition on the international monetary system, offers book and economic forums and tours of the institution, and includes a bookstore and giftshop. The IMF Center is open to the general public daily, from Monday to Friday.
- Selected Fund publications are also available in languages other than English.

dentiality. Under these safeguards, which were revisited in the June 2005 review of transparency, members may request deletions of information not already in the public domain that constitutes either highly market-sensitive material or premature disclosure of policy intentions.

At the previous review, in September 2003, the Executive Board noted that progress had been made in publication rates. Nonetheless, thinking that further impetus was needed, the Board endorsed a policy of voluntary but presumed publication for most country reports and policy papers.

At their discussion in June 2005, based on a staff review of the transparency policy,[2] Directors agreed that the publication policy remained appropriate and welcomed the continued rise in publication rates, with more than three-fourths of staff reports published during the review period. They were particularly encouraged by the decline

[2]The staff report is available at *www.imf.org/external/np/pp/eng/2005/052405.htm.* The summary of the Board discussion can be found in Public Information Notice No. 05/116, at *www.imf.org/external/np/sec/pn/2005/pn05116.htm.*

in regional disparities, thanks to the substantial increases in publication rates by emerging market and developing countries in Africa, Asia, the Middle East, and the Western Hemisphere. Some Directors attributed these improvements to the enhancements introduced at the time of the last review, including the policy of voluntary but presumed publication, while others saw the voluntary approach as continuing to be the key driving force.

Directors noted that more widespread publication of Fund documents had been accompanied by a lengthening of the average time lag between the Board discussion and the publication date. They underscored the time-sensitive nature of country documents and reaffirmed the expectation that documents subject to voluntary but presumed publication be published on a timely basis.

About one-third of country documents were modified through deletions or substantive corrections before they were published. Most Directors were concerned about the adverse consequences of extensive document modifications for the timeliness of publication and resource requirements for staff and the authorities, although a few other Directors regarded the resources now dedicated to handling such modifications as commensurate with the importance of the task at hand.

Most Directors were satisfied that increased publication had not led to a significant erosion of candor although, in the view of a few other Directors, the staff paper provided evidence of loss of candor. Directors emphasized the importance of preserving the frankness both of the policy dialogue between Fund staff and member countries and of the information provided in staff reports to the Board. In this regard, several Directors reiterated that member countries must remain assured that the Fund is upholding its primary role as confidential policy advisor and that publication does not undermine confidence in this relationship. They stressed the need for continued monitoring of this issue.

A majority of the Board generally agreed with the staff's recommendations for improving timeliness of publication, better preserving candor, and reducing implementation costs. Specifically, they saw merit in clarifying the criteria and procedures for document modifications and in introducing a number of incentives for prompt publication. Some of these Directors suggested measures going further than those proposed by the staff, based on the view that the staff paper might have underplayed the benefits of greater transparency and overstated the potential trade-off between transparency and candor.

It was agreed that IMF staff would produce a report annually on key trends in the implementation of the transparency policy and that the reports would be posted on the IMF's Web site. The first annual report was issued in February 2006.[3]

Box 9.4 Risk management in the IMF

Executive Directors met in February 2006 to discuss the report of the Task Force on Risk Management. They noted that the Fund's risk-management environment reflected its unique character and governance structure. They broadly supported the Task Force's assessment that the Fund's overall internal control environment displayed many of the prerequisites for a sound risk-management system. Nevertheless, most Directors were of the view that the present environment could be strengthened further and made more explicit.

The risks faced by the IMF could be seen as falling into four broad categories: strategic, core mission, financial, and operational. Risks in the strategic, core mission, and financial areas are brought to the attention of management and the Board through different mechanisms, including policy reviews by the Board. Directors were concerned that no systematic framework existed for regularly appraising and reporting on operational risks. In addition, they saw value in introducing a comprehensive exercise for gathering, synthesizing, and reporting information on risks and controls throughout the Fund.

Directors noted that the IMF should be at the forefront of international developments in risk management. They observed that, although a number of comparator organizations had begun to develop integrated risk-management programs, most were still at an early stage of implementation. They accepted the Task Force finding that there was no single "best practice" approach to implementing integrated risk-management systems but noted that a set of common principles was emerging that could provide useful benchmarks. Directors agreed on the need to put in place strong and effective mechanisms to manage risk and considered that annual reporting by Fund departments of risks, potential impacts, and existing or planned mitigation measures would strengthen the present risk-management framework. While recognizing that the risk-assessment process needed to be further developed, Directors agreed that the Task Force should develop proposals for modalities for implementing a risk-management framework.

There was broad agreement that the Board should be appropriately involved in the process of risk management. Further discussions are needed on how this can be done in the most efficient way, including, as one possible option, through the establishment of a Board committee.

Communications and outreach

The IMF communicates with the public at large and a wide range of more specific nonofficial audiences. These com-

[3]"Key Trends in Implementation of the Fund's Transparency Policy" is available at *www.imf.org/external/np/pp/eng/2006/013106.pdf.*

Box 9.5 Enhancing IMF–World Bank cooperation

The IMF and the World Bank have had a productive history of collaboration since they were founded at the Bretton Woods Conference in 1944. In recent years, they have worked jointly in individual countries as well as on such initiatives and issues as the Financial Sector Assessment Program; trade policy; reports on members' observance of international standards and codes (ROSCs); debt sustainability analysis for low-income countries; the Poverty Reduction Strategy Paper process; growth prospects for low-income countries; donor coordination; and implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative. But the demarcation between macroeconomic and development issues has become blurred in some of these joint activities, and significant overlaps have developed. Therefore, in March 2006, the Managing Director of the IMF and the President of the World Bank Group launched a review of Fund–Bank collaboration, beginning with the establishment of a six-member External Review Committee.

The Review Committee will solicit a representative sample of views from member countries on the nature and practice of Fund-Bank collaboration, which has been guided since 1989 by a formal Concordat.[1] The Committee will consider whether the Concordat provides a clear foundation for Fund-Bank collaboration as well as whether the areas for which each institution was given responsibility in the Concordat are consistent with its mandate. It will also examine the "lead agency concept" (when the Fund and the Bank work collaboratively, each institution is supposed to take the lead on matters in which it has more expertise).

The Committee is expected to recommend specific improvements to Fund-Bank collaboration on the areas listed above as well as to their collaboration on the policy advice, lending, and technical assistance provided to individual countries. It will also explore how collaboration can be tailored to suit the circumstances of different categories of members, such as post-conflict countries, low-income countries, middle-income developing countries, and emerging market economies.

The Committee will present its final report to Fund and Bank management before the end of 2006.

[1]For details regarding the 1989 Concordat see page 62, *www.imf.org/external/pubs/ft/history/2001/ch20.pdf.*

munications activities are led by the IMF's management and External Relations Department (EXR). But, in recent years, staff throughout the organization, together with Executive Directors, have increasingly recognized the need for and value of communication with external audiences as an integral component of the Fund's operational work. The relative strength of economic and financial systems during FY2006 meant that the Fund was able to focus its communications on a few strategically important issues and, at the same time, to extend its outreach activities to selected nonofficial audiences, especially parliamentary organizations.

The Medium-Term Strategy

The Managing Director presented his Medium-Term Strategy (MTS) for the Fund to the international community at the September 2005 Annual Meetings. The MTS was subsequently disseminated to policymakers and opinion leaders around the world, sparking a lively public debate about the role of the IMF and the changes needed for it to discharge that role effectively. The debate spanned a wide range of issues—from global surveillance to crisis financing to internal governance. It encouraged frank exchanges about the Fund's effectiveness in coming to grips with the challenges facing today's world. And it brought attention to bear on how to ensure that countries were adequately represented and had a fair voice in the decisions made by the Fund.

The Managing Director made the MTS a theme of many speeches, articles, and op-eds during the ensuing months. He also engaged in a series of public discussions on the MTS with policymakers and opinion leaders worldwide, including officials, civil society, businesspeople, academics, and journalists in Africa (Equatorial Guinea and Zambia), North America (Mexico and the United States), and Europe (Italy). Legislators played a significant part, too, with a hearing on the IMF in the European Parliament; a parliamentary inquiry in the United Kingdom; a report by the Parliamentary Assembly of the Council of Europe; and discussions within umbrella organizations such as the Parliamentary Network on the World Bank and the Commonwealth Parliamentary Association. The ideas that emerged from this outreach and debate helped to shape thinking on the MTS and were reflected in a second report, "Implementing the Medium-Term Strategy," presented to the IMFC at the 2006 Spring Meetings. Further outreach was planned for FY2007 to support the process of implementing the new strategy.

Communication on other issues

With growing international concern over global imbalances, the IMF played a significant role in placing the issues on the table and identifying policy options. The messages conveyed to governments through the Fund's routine country surveillance, which are, for the most part, made public under the Fund's transparency policy, were increasingly reinforced by public statements made by IMF management and senior staff. A recurring theme in many public speeches, interviews, and op-eds was the risk that international financial stability could be jeopardized by continued global imbalances. In his Annual Meetings address, the Managing Director summarized the problem pointedly: "[T]he world needs to move away from a pattern of growth where investment in most of Asia is too *low*, and high consumption in the United States is financed by rapidly increasing *debt*, and where growth of domestic demand in Europe and Japan is too *weak*. New risks—and new imbalances—are caused by higher oil prices."

During 2005, international attention came to bear on the plight of the world's poorest people, and the progress made toward achieving the United Nations Millennium Development Goals (MDGs). The IMF participated in this international dialogue, consistently advocating trade reform and increased aid flows as means of helping low-income countries achieve their objectives. The international community made new commitments to increase resource flows to help reduce poverty. The IMF responded to a proposal by the Group of Eight to cancel debt to some multilateral organizations by designing the Multilateral Debt Relief Initiative, and implementing it for a first group of 19 low-income countries (see Chapter 6). In the subsequent months, the IMF began to focus its policy dialogue and outreach on discussions with governments and other audiences on how countries could make the best use of the new flow of resources from aid and debt relief. This issue of "scaling up" was the focus of an international roundtable in Zambia attended by finance ministers, civil society, legislators and press. A workshop in Washington, D.C. also addressed this issue (see Box 6.2).

Several issues recurred frequently in dialogue with the Fund's critics and interlocutors. Prominent among these was the criticism that the IMF's policy advice frequently leads governments to curtail essential social expenditures, thereby slowing poverty reduction. Concerns over poor governance, especially corruption, arose in a number of countries that were supported by use of Fund resources, with the assertion that the IMF was not doing enough to counter them. Fund management and staff take every opportunity to rebut such criticisms, often quite forcefully, using speeches, seminars, articles, letters to the editor, material posted on the IMF's Web site, and direct interaction with civil society organizations. Other issues that are being raised with increasing frequency include the Fund's attitude toward human rights and workers' rights.

Country and regional perspective

Consistent with the trend identified in the Executive Board's last review of the Fund's external communications strategy,[4] country teams, particularly resident representatives, are increasingly building outreach into their work programs. This may include direct interaction with the media, such as press briefings, interviews, or written statements. An increasing number of country teams are using op-eds to convey targeted explanations of policy to wider audiences, a significant example being the placement of articles on reform priorities in Europe in a number of newspapers in the region. Other outreach includes in-country interaction with civil society organizations and legislators as a means of, among other things, understanding the views of civil society and building consensus and ownership of policies. In low-income countries, the participatory nature of the Poverty Reduction Strategy process creates an expectation that governments will consult with civil society, and IMF staff are often invited to participate.

The Fund's outreach at a regional level received an important boost from the reception accorded the *Regional Economic Outlooks.* The briefings and seminars for the press, academics, market participants, and government officials have received good coverage and are an important means of enhancing the Fund's regional surveillance. Other regional outreach was often conducted in parallel; for instance, in November 2005, IMF officials visited five Central American countries to present the *Regional Economic Outlook* and IMF Occasional Paper No. 243, *Central America: Global Integration and Regional Cooperation,* to local audiences.

Box 9.6 A common approach to fighting corruption

The IMF collaborates with the World Bank and many other international and regional agencies in a variety of areas, including improving the governance of member countries to enable them to better implement policies that will enhance their growth prospects, lead to sustainable development, and reduce poverty.

In a meeting in February 2006, officials from the IMF, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank agreed on the need to standardize the definition of corruption, improve the consistency of investigative rules and procedures, strengthen information sharing, and assure that compliance and enforcement actions taken by one institution are supported by the others.

The institutions also agreed to work together to develop concrete proposals to help countries strengthen their capacity to combat corruption and improve cooperation with civil society and other stakeholders and institutions, such as the press and the judiciary, in order to enhance transparency and accountability over the long term.

A task force was established to report bimonthly on progress in the development of a uniform Framework for Preventing and Combating Fraud and Corruption, with the goal of concluding an agreement by the September 2006 Annual Meetings of the World Bank Group and the IMF.

[4]The staff paper discussed by the Board is available at *www.imf.org/external/np/exr/docs/2005/020805.htm;* the summary of the Board discussion can be found at *www.imf.org/external/np/sec/pn/2005/pn0534.htm.*

The forums, organized by the IMF and five leading academic institutions, were attended by some 1,000 people, including government officials, academics, media, nongovernmental organizations, private sector representatives, and students.

In connection with the publication of the *World Economic Outlook* in September 2005, the IMF's European Department organized outreach events in western and eastern Europe aimed at reinforcing the WEO's messages in a regional context. Presentations focusing on progress in employment creation and the need to overcome structural rigidities were made in Brussels and Brugge to two think tanks and an academic institution, and interviews were given to newspapers. In presentations and in media contacts in Warsaw and Budapest, IMF staff highlighted the impact of global imbalances and oil prices on the economies of the newest EU member states and discussed policies needed to reduce regional vulnerabilities such as large fiscal imbalances and rapid credit growth.

A group of 17 academics from Latin America visited the IMF in April 2006 to discuss the region's economic prospects and the MTS. Seminar participants exchanged ideas and points of view with the Managing Director, the First Deputy Managing Director, and other senior IMF officials. In welcoming the IMF's communications efforts, the academics expressed the need to build stronger ties with international organizations to enable the academic community to participate more actively in economic policy debates. During the discussions, they stressed the urgency of working toward policy continuity despite electoral turnover and encouraged the IMF to have a closer dialogue with political parties to help bring a wider consensus on policy priorities.

Outreach to legislators

The IMF has expanded its outreach to legislators in recent years in accordance with the high priority given to this activity by both management and the Executive Board, and resources have been targeted to this activity. The following are some of the highlights of FY2006:

- Legislators and journalists from six Central American countries and the Dominican Republic met in San José, Costa Rica, in May 2005 with IMF management and senior staff to discuss their countries' policy priorities and the importance of greater integration and cooperation for the region.
- In November 2005, the IMF, in cooperation with the Parliament of Morocco, organized a seminar for legislators from Algeria, Libya, Morocco, and Tunisia to discuss how to achieve stronger economic growth and higher employment and, thus, faster poverty reduction.
- The Fund organized a regional seminar for legislators from Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro at the Joint Vienna Institute in September 2005, and another for legislators from Moldova, the Kyrgyz Republic, and Tajikistan in April 2006. Both seminars were aimed at increasing mutual understanding of macroeconomic issues.

Administrative and capital budgets

The IMF's administrative budget, covering the period May 1 through April 30, provides the financial resources to meet personnel costs, travel, and other recurrent expenditures. The IMF's net administrative expenditures (defined as gross expenditures less receipts[5]) are funded from its operational income, which includes charges on the use of Fund resources. The rate of charge depends mainly on the income outlook—itself determined largely by the level of Fund credit outstanding and the SDR interest rate (see Chapter 8).

The IMF's capital budget provides funds for capital projects starting in the forthcoming financial year, within an approved three-year capital plan that covers all new capital projects scheduled to start in each of those years. Capital appropriations are available to projects for a period of three years; funds unused by the end of the three-year period lapse.

Budgets and actual expenditures in FY2006

The IMF's administrative budget for the financial year that ended April 30, 2006 (FY2006) authorized total gross expenditures of $937 million ($876.1 million net of receipts). The FY2006 capital budget made provision for expenditures of $52.5 million over three years on new projects commencing in FY2006, of which $28.5 million was provided for building facilities and $24 million for information technology (IT) projects.

The FY2006 administrative and capital budgets were formulated as transitional in nature, in light of the then still evolving Medium-Term Strategy (MTS) and pending reviews covering some 75 percent of administrative expenditures, including the employment, compensation, and benefits framework and IT systems. Relative to the previous financial year, gross administrative expenditures were held constant in real terms, while the capital plan included only high-priority security projects and essential IT backup facilities, in part by rephasing or delaying other

[5]Receipts are mainly in the form of external donor contributions for technical assistance to, and training of officials from, member countries.

Table 9.1 Administrative budgets, FY2004–07[1]

(In millions of U.S. dollars)

	Financial year ended April 30, 2004: Actual expenses	Financial year ended April 30, 2005: Actual expenses	Financial year ending April 30, 2006: Budget	Financial year ended April 30, 2006: Actual expenses	Financial year ending April 30, 2007: Budget
Administrative budget					
Personnel expenses					
Salaries	355.9	375.2	394.7	392.6	404.3
Benefits and other personnel expenses	200.3	259.5[2]	263.9	273.9	291.7
Subtotal	**556.2**	**634.7**	**658.6**	**666.6**	**696.0**
Other expenses					
Travel	91.5	90.2	99.4	94.2	99.4
Buildings and other expenses	158.4	167.3	177.9	169.6	178.8
Subtotal	**249.9**	**257.5**	**277.4**	**263.8**	**278.2**
Contingency reserve	0.0	0.0	1.0	0.0	1.0
Other expenses	0.0	0.0	0.0	0.0	5.0[3]
Total administrative budget (gross)	**806.1**	**892.2**	**937.0**	**930.3**[4]	**980.2**
Receipts	(58.5)	(66.1)	(60.9)	(56.0)	(68.3)[5]
Total administrative budget (net)	**747.6**	**826.1**	**876.1**	**874.4**	**911.9**

Note: Figures may not add up to totals because of rounding.

[1]Administrative budgets as approved by the Board for the financial years ending April 30, 2006, and April 30, 2007, compared with actual expenses for the financial years ended April 30, 2004; April 30, 2005; and April 30, 2006.

[2]As part of the FY2005 budget, the Board agreed to normalize the annual budgetary contribution to the Staff Retirement Plan (SRP) at a rate of 14 percent of gross remuneration. This resulted in a $48 million step increase in the contribution to the SRP.

[3]Additional budgetary costs associated with holding the 2006 Annual Meetings in Singapore.

[4]These figures incorporate an advance payment of $8 million to the Staff Retirement Plan (SRP) service credits. The SRP service credits, approved by the Executive Board in December 2002, permitted SRP participants to purchase service credits for periods of prior Fund contractual or other employment.

[5]Central estimate.

capital projects. With the completion of the Headquarters 2 (HQ2) building, no further major building works were planned.

The outturn on the administrative budget for FY2006 amounted to $930.3 million on a gross basis, $6.7 million (0.7 percent) less than budgeted. Receipts were almost $5 million lower than was estimated in setting the FY2006 net budget; the outturn was some $1.7 million (0.2 percent) below the net administrative budget.

A number of factors underpinned the gap between the FY2006 gross budget and outturn. Relative to estimates when the budget was set, staffing levels and building and other costs were lower, airfares rose by less, and a number of externally financed projects were delayed. The combined effect of these factors more than outweighed the budgetary impact of higher-than-projected spending on medical and retirement benefits. Further information on the actual expenditures of the administrative budgets for FY2004 through FY2006 and budgeted expenditures for FY2007 is provided in Table 9.1.

The small underrun on overall gross administrative expenditures is reflected in lower-than-planned use of resources in the delivery of some of the Fund's outputs. The interpretation of the data on the allocation of resources to the delivery of specific outputs, however, is complicated by the introduction of the new Time Reporting System (TRS), which limits comparisons with the figures for earlier years.

Nonetheless, the information available suggests that the share of resources devoted to bilateral and regional surveillance was slightly higher than anticipated when departmental business plans were drawn up. With fewer active Fund programs than anticipated, the share of resources devoted to such work was below planned levels. Policy development, research, and the operation of the international monetary system accounted for a larger share of total administrative resources than planned, which was related, in part, to the development of the Fund's MTS. Finally, work on capacity building accounted for a slightly smaller share of administrative resources than planned because of delays in the implementation of some large, externally financed technical assistance projects.

Total capital spending in FY2006 was within the budget for projects approved during FY2004–06. Of the $47.9 million in total capital spending, $21 million was for building facilities and $26.9 million for IT projects.

Medium-term budget, FY2007–09

In preparation for the FY2007 budget, the Fund undertook further reform of its budgetary systems.

- A new medium-term budget framework (MTBF) was developed, and the first formal medium-term budget for the Fund is being introduced in FY2007. The new architecture of the medium-term administrative budget and the resulting changes to the Fund's budgetary practices are described in Boxes 9.7 and 9.8, respectively.
- Beginning in FY2007, a dollar budget allocation and monitoring framework is being introduced for the Office of the Executive Directors as a whole, with indicative dollar budgets for individual Executive Directors' offices.

Further reforms are planned, including the introduction in FY2008 of performance indicators for the delivery of certain Fund services.

Box 9.7 The new medium-term budget framework (MTBF)

The new MTBF is designed to improve the IMF's budget architecture. The principal change is a greater focus on the net budget in order to strengthen the link between the administrative budget and its financing through the Fund's operational income. This requires Board approval of an annual net administrative budget based on a central (baseline) estimate of receipts, and a separate upper limit on gross expenditures based on a higher estimate of receipts. This arrangement recognizes the practical difficulties in projecting the availability and use of external financing for capacity-building work in any year; at the same time, it caps gross expenditures and hence the overall size of the institution.

Under the MTBF, in addition to an annual budget appropriation, there are indicative budget limits for the outer two years. Both the MTBF and departmental business plans will be updated annually on a three-year rolling basis.

An external price index is used in setting the nominal budget envelope. The index has been constructed as a weighted average of changes in external indices of personnel (70 percent) and nonpersonnel (30 percent) costs.

On the basis of this revised approach, on April 28, 2006, the Executive Board approved the FY2007–09 medium-term administrative and capital budgets, introducing the first three-year administrative budget for the Fund.[6] The Board approved a net administrative budget for FY2007 of $911.9 million, a limit on gross expenditures for FY2007 of $987.1 million (based on the upper range of the estimate for receipts of $75.2 million), and appropriations for capital projects beginning in FY2007 of $48.1 million. The Board also took note of the indicative net administrative budgets of $929.6 million and $952.8 million for FY2008 and FY2009, respectively, and the three-year capital plan of $141 million.

The budgets approved by the Executive Board will lead to a small reduction in the size of the real administrative resource envelope of the Fund over the medium term and mark the beginning of a downward trend in the capital budget. There will be zero real growth in the FY2007 administrative budget; for FY2008 and FY2009 there will be a 1 percent real reduction in each year (measured against an external price index). Notwithstanding the declining real resource envelope, the approved medium-term budget is designed to deliver the Fund's existing mandate and—on a budget-neutral basis—the changes flowing from initiatives approved under the Fund's MTS over FY2007–09. The goal is to sustain the quantity and quality of the Fund's outputs through enhanced productivity and other measures to increase efficiency. Moreover, a series of targeted exercises will be undertaken in FY2007 to examine the Fund's service delivery model in specific areas, with the aim of identifying how Fund services to member countries and the global community can be delivered more efficiently and at a lower cost.

As noted above, the Board approved appropriations of $48.1 million for capital projects beginning in FY2007 ($4.4 million less than in FY2006), and a capital plan for FY2007–09 of $141 million ($7.3 million less than in FY2006–08). This marks a decline in planned capital spending, which is expected to continue over the medium term. The lower planned capital spending reflects the completion of several one-off projects, including the HQ2 building and a number of security measures.

Human resources

The Managing Director appoints a staff whose sole responsibility is to the IMF. The efficiency and technical competence of the IMF staff are expected to be, as stated in the Articles of Agreement, of the "highest standards." Subject to "the paramount importance" of securing such standards, staff diversity should reflect the institution's membership, with "due regard to the importance of recruiting personnel on as wide a geographical basis as possible."

The goals of the IMF require that all who work for the institution observe the highest standards of ethical conduct, consistent with the values of integrity, impartiality, and discretion, as set out in the IMF Code of Conduct and its Rules and Regulations. In accordance with these high standards, the IMF relies on a financial certification and disclosure process for staff and other internal controls to prevent actual or perceived conflicts of interest.

The framework for human resource management in the Fund reflects efforts over many years to adopt best practices from other institutions, while ensuring that they are consistent with the mission of the institution and the objective of maintaining the quality and diversity of its staff. This framework has served the Fund well but in recent years has been showing signs of strain in the face of changes in the external environment, related changes in the work of the Fund, and demographic trends.

Against this background, the Managing Director set in motion a comprehensive review of the Fund's employment framework, compensation, and benefits in the summer of 2004. A Steering Committee of senior staff was appointed by management to oversee the conduct of the review. An external consulting firm was hired to conduct an independent examination of current plan designs and practices and make recommendations. Its report was submitted to management and made available to the Executive Board and

[6] The budget document can be accessed electronically at *www.imf.org/external/np/pp/eng/2006/033106.pdf.*

Fund staff in July 2005. Following extensive consultations with stakeholders, proposals for change were considered by the Executive Board in the first few months of 2006, culminating with final agreement in April 2006 on a package of reforms.

Executive Board discussion of these issues underscored two overarching objectives for human resource management in the Fund: first, to attract and retain an international staff of the highest quality, with a mix of skills and experience that will enable the Fund to fulfill its evolving mandate; and, second, to manage staff efficiently and effectively, in an environment that rewards excellence, fosters teamwork, and promotes cohesiveness, fairness, and diversity—including geographic diversity. With these objectives in mind, the Executive Board adopted a number of changes in human resources (HR) systems that aim to increase the flexibility of the employment framework, strengthen performance and career management, simplify the salary-setting mechanism while linking internal pay relativities more closely to comparator markets, and streamline and make more flexible benefits provided to expatriate staff.

As of December 31, 2005, the IMF employed 1,999 professional and managerial staff (about two-thirds of whom were economists) and 694 staff at the assistant level. In addition, the IMF had 449 contractual employees on its payroll, including technical assistance experts, interns, special appointees, and other short-term employees not subject to the staff ceiling. Of the IMF's 184 member countries, 141 were represented on the staff. (See Table 9.2 for the evolution of the nationality distribution of IMF professional staff since 1980.)

Changes in management

There were no changes in the IMF's management team in FY2006. The Managing Director, Rodrigo de Rato, was appointed for a five-year term, which began on June 7, 2004. A national of Spain, Mr. de Rato was Minister of Economy and Vice President for Economic Affairs during 2000–04, prior to which he served as Spain's Minister of Economy and Finance.

Box 9.8 Main changes in the Fund's budgetary practices

Strategy. The Fund's Medium-Term Strategy will underpin departmental business plans. These plans will now be drawn up on a rolling three-year basis rather than annually.

Executive Board decisions. The Executive Board previously approved gross and net budgets along with a staff position ceiling. Under the new medium-term budget framework, the Board approves an annual net administrative budget and a gross expenditure limit based on an upper estimate for receipts.

The Fund's outputs. The delivery of the Fund's main services to member countries and the global community has been reclassified to four key output areas with 12 constituent outputs.

The resources provided under the central FY2007 gross budget estimate will be allocated to the four key output areas (Figure 9.1); in future years, the intention is to allocate the resources down to the level of the 12 constituent outputs. The table below describes the new classification of outputs for the Fund.

Reporting and accountability. The reporting and accountability mechanisms have been strengthened to include monthly reports to management on inputs, quarterly reports to the Executive Board on inputs and outputs, annual reports from department heads to management on the delivery of departmental business plans, and annual reports from management to the Executive Board on the delivery of the strategy.

Key output areas	Outputs
Global monitoring	Oversight of the international monetary system Multilateral surveillance Cross-country statistical information and methodologies General research General outreach
Country-specific and regional monitoring	Bilateral surveillance Regional surveillance Standards and codes and financial sector assessments
Country programs and financial support	Generally available facilities Facilities specific to low-income countries
Capacity building	Technical assistance External training

Figure 9.1 Indicative share of resources by key output areas, FY2007

(As percent of gross administrative budget)

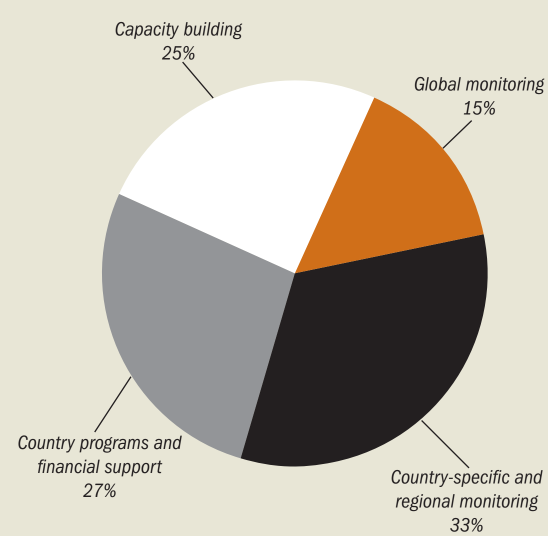


Table 9.2 Distribution of professional and managerial staff by nationality[1]

(In percent)

Region[2]	1980	1990	2005
Africa	**3.8**	**5.8**	**6.0**
Asia	**12.3**	**12.7**	**15.5**
Japan	1.4	1.9	1.8
Other Asia	10.9	10.8	13.7
Europe	**39.5**	**35.1**	**35.5**
France	6.9	5.5	4.7
Germany	3.7	4.3	5.3
Italy	1.7	1.4	2.9
United Kingdom	8.2	8.0	5.3
Transition economies	–	–	5.3
Other Europe	19.0	15.9	12.1
Middle East	**5.4**	**5.5**	**4.4**
Western Hemisphere	**39.1**	**41.0**	**38.6**
Canada	2.6	2.8	3.6
United States	25.9	25.9	23.4
Other Western Hemisphere	10.6	12.3	11.7
Total	**100.0**	**100.0**	**100.0**

[1]Includes staff in Grades A9-B5.
[2]Regions are defined broadly on the basis of the country distribution of the IMF's area departments; beginning in 2004, regions are defined according to the country groupings in the *2004 Diversity Annual Report*. The European region includes Russia and countries of the former Soviet Union. The Middle East region includes countries in North Africa.

In April 2006, the First Deputy Managing Director, Anne O. Krueger, announced her intention to resign from the IMF in August 2006 after five years of service. The IMF's Executive Board subsequently approved Mr. de Rato's nomination of John Lipsky, the Vice Chairman of the JPMorgan Investment Bank, to succeed Ms. Krueger as the IMF's next First Deputy Managing Director. Mr. Lipsky, a U.S. national, worked at the IMF from 1974 to 1984.

Recruitment and retention

In 2005, 173 people joined the IMF staff, compared with 178 in 2004. The new recruits were 92 economists, 33 professionals in other specialized career streams, and 48 assistants. Fifty-six of the recruits were mid-career economists,[7] and 36 entered the two-year Economist Program, which is designed to familiarize entry-level economists with the work of the IMF. Participants in the program are placed in two different departments, for 12 months each. Those who perform well are offered regular staff appointments.

During 2005, 193 staff members, 136 of whom were in professional and managerial grades, separated from the organization. The separation rate for these staff was 7.0 percent.

Salary structure

To recruit and retain the highly qualified staff it needs, the IMF's compensation and benefits system is designed to be internationally competitive, to reward performance, and to take account of the special needs of a multinational and largely expatriate staff. A new compensation system went into effect on May 1, 2006. Under the new system, annual compensation reviews will be conducted, and annual adjustments to the salary structure will be made, on a three-year cycle. In the first year of the cycle, the IMF's staff salary structure is adjusted on the basis of a comparison with salaries paid by selected private financial and industrial firms in the United States, France, and Germany, and in representative public sector agencies, mainly in the United States. In the intervening years, the structural adjustments will be made based on an index of private and public sector salary increases in the United States. FY2007 represents the first year under the new system. After analyses of updated comparator salaries, the Board approved an overall adjustment of –0.4 percent. This adjustment represents the combined impact of (1) change in the definition of markets (for example, allocating more weight to the public sector); and (2) market salary developments in 2005–06. The new Fund payline also achieves a closer relationship with the U.S. comparator market by tilting upward at the upper grades and downward at the lower grades. As a transitional measure for FY2007, the Board approved a general merit budget of 2.5 percent to allow scope for salary increases for staff. In addition, the Board approved a supplementary allocation of 2 percent to staff in Grades A14–B5 to allow the upward shift in the Fund payline to also be reflected in the salaries of individual staff (Table 9.3).

Management remuneration

Reflecting the responsibilities of each management position and the relationship between the management and staff salary structures, the salary structure for management as of July 1, 2005, is as follows:

Managing Director	$391,440[8]
First Deputy Managing Director	$340,380
Deputy Managing Directors	$324,170

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.

[7]The total number of mid-career economists hired in 2005 include 53 staff members at levels A9–A15 and 3 at levels B1–B5.

[8]In addition, a supplemental allowance of $70,070 is paid to cover expenses.

Table 9.3 IMF staff salary structure

(In U.S. dollars, effective May 1, 2006)

Grade[1]	Range minimum	Range maximum	Illustrative position titles
A1	25,110	37,670	Not applicable (activities at this level have been outsourced)
A2	28,110	42,170	Driver
A3	31,470	47,210	Staff Assistant (clerical)
A4	35,260	52,900	Staff Assistant (beginning secretarial)
A5	39,530	59,290	Staff Assistant (experienced secretarial)
A6	44,210	66,310	Administrative Assistant, other Assistants (for example, Editorial, Computer Systems, Human Resources, External Relations)
A7	49,550	74,330	Research Assistant, Senior Administrative Assistant, other Senior Assistants (for example, Accounting, Human Resources, Editorial, External Relations)
A8	55,510	83,270	Senior Administrative Assistant
A9	56,480	84,720	Librarian, Translator, Research Officer, Human Resources Officer, External Relations Officer
A10	64,800	97,200	Accountant, Research Officer, Administrative Officer
A11	73,940	110,920	Economist (Ph.D. entry level), Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A12	84,880	127,320	Economist, Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A13	96,720	145,080	Economist, Attorney, Specialist (for example, Accounting, Computer Systems, Human Resources, External Relations)
A14	112,480	168,720	Deputy Division Chief, Senior Economist
A15/B1	128,080	192,120	Division Chief, Deputy Division Chief
B2	149,630	216,970	Division Chief, Advisor
B3	177,770	231,090	Assistant Department Director
B4	204,720	261,420	Deputy Department Director, Senior Advisor
B5	238,160	298,660	Department Director

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

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

Executive Board remuneration

Upon the recommendation of the Board of Governors' Committee on the Remuneration of Executive Directors, the Governors approved increases of 3.9 percent in the remuneration of Executive Directors and their Alternates effective July 1, 2005.[9] The remuneration of Executive Directors is $204,400; the remuneration of Alternate Executive Directors is $176,810.[10]

Diversity

The IMF has continued to emphasize the importance of staff diversity in improving the IMF's effectiveness as an international institution. The diversity of its staff is a source of strength for the institution. The IMF recognizes that the membership must have at its service individuals who understand, through their professional experience and training, a wide range of policymaking challenges that confront country officials and who can offer policy advice appropriate to the circumstances of each of the 184 member countries.

To enable the IMF to recruit and retain an internationally diverse staff, the institution has in place a diversity strategy grounded in the principle of inclusion, quantitative and qualitative benchmarks, regular monitoring, and mainstreaming of diversity into the Fund's daily work. The institution actively seeks candidates from all over the world and has in place various programs that ease the integration of new staff into the working culture of the institution. The IMF places strong emphasis on people management skills, which are of particular importance in an institution with a diverse workforce. Management receives regular updates on quantitative and qualitative benchmarks for the most underrepresented staff groups, as established in the 2003 Enhanced Diversity Action Plan. Notable progress has been achieved in the recruitment and promotion of several underrepresented staff groups, but more has to be done to establish gender and regional balance in all grades (Tables 9.2, 9.4, and 9.5). In line with the IMF's diversity strategy, the Human Resources Department continues to focus on integrating diversity into human-resource-management policies, procedures, and practices.

The IMF is establishing a Diversity Council to further elevate the internal dialogue on diversity and to advance the diversity agenda. Chaired by a member of the management team, the Diversity Council will bring together the key stakeholders for the purposes of developing a common understanding of issues and guiding the Fund's diversity efforts. This initiative builds on the creation in 1995 of the position of Diversity Advisor, with a mandate to help strengthen, manage, and monitor diversity in the Fund. Promoting and sustaining diversity of staff in any institution is a continuing challenge that requires concerted effort. Progress is monitored and problems are reported in a transparent manner in various

[9]In determining the salary adjustments for Executive Directors, the committee took into consideration such things as the percentage change in the remuneration of the highest-level civil servant in the ministry of finance and central bank of selected member countries, and the change in the selected countries' consumer price index.

[10]These figures do not apply to the U.S. Executive Director and Alternate Executive Director, who are subject to U.S. congressional salary caps.

Table 9.4 Distribution of staff by gender

	1980		1990		2005[1]	
	Number	Percent	Number	Percent	Number	Percent
All staff	**1,444**	**100.0**	**1,774**	**100.0**	**2,693**	**100.0**
Women	676	46.8	827	46.6	1,237	45.9
Men	768	53.2	947	53.4	1,456	54.1
Total support staff[2]	**613**	**100.0**	**642**	**100.0**	**694**	**100.0**
Women	492	80.3	540	84.1	601	86.6
Men	121	19.7	102	15.9	93	13.4
Total professional staff[3]	**646**	**100.0**	**897**	**100.0**	**1,641**	**100.0**
Women	173	26.8	274	30.5	580	35.3
Men	473	73.2	623	69.5	1,061	64.7
Total economists	***362***	***100.0***	***529***	***100.0***	***1,024***	***100.0***
Women	42	11.6	70	13.2	257	25.1
Men	320	88.4	459	86.8	767	74.9
Total specialized career streams	***284***	***100.0***	***368***	***100.0***	***617***	***100.0***
Women	131	46.1	204	55.4	323	52.3
Men	153	53.9	164	44.6	294	47.7
Total managerial staff[4]	**185**	**100.0**	**235**	**100.0**	**358**	**100.0**
Women	11	5.9	13	5.5	56	15.6
Men	174	94.1	222	94.5	302	84.4
Total economists	***99***	***100.0***	***184***	***100.0***	***293***	***100.0***
Women	4	4.0	9	4.9	33	11.3
Men	95	96.0	175	95.1	260	88.7
Total specialized career streams	***86***	***100.0***	***51***	***100.0***	***65***	***100.0***
Women	7	8.1	4	7.8	23	35.4
Men	79	91.9	47	92.2	42	64.6

[1]Includes only staff on duty; differs from the number of approved positions.
[2]Staff in Grades A1–A8.
[3]Staff in Grades A9–A15.
[4]Staff in Grades B1–B5.

Table 9.5 Distribution of staff by developing and industrial countries

	1990		2005[1]	
Staff	Number	Percent	Number	Percent
All staff	**1,774**	**100.0**	**2,693**	**100.0**
Developing countries	731	41.2	1,186	44.0
Industrial countries	1,043	58.8	1,507	56.0
Total support staff[2]	**642**	**100.0**	**694**	**100.0**
Developing countries	328	51.1	386	55.6
Industrial countries	314	48.9	308	44.4
Total professional staff[3]	**897**	**100.0**	**1,641**	**100.0**
Developing countries	343	38.2	690	42.0
Industrial countries	554	61.8	951	58.0
Total economists	***529***	***100.0***	***1,024***	***100.0***
Developing countries	220	41.6	448	43.7
Industrial countries	309	58.4	576	56.3
Total specialized career streams	***368***	***100.0***	***617***	***100.0***
Developing countries	123	33.4	242	39.2
Industrial countries	245	66.6	375	60.8
Total managerial staff[4]	**235**	**100.0**	**358**	**100.0**
Developing countries	60	25.5	110	30.7
Industrial countries	175	74.5	248	69.3
Total economists	***184***	***100.0***	***293***	***100.0***
Developing countries	54	29.3	91	31.1
Industrial countries	130	70.7	202	68.9
Total specialized career streams	***51***	***100.0***	***65***	***100.0***
Developing countries	6	11.8	19	29.2
Industrial countries	45	88.2	46	70.8

[1]Includes only staff on duty; differs from the number of approved positions.
[2]Staff in Grades A1–A8.
[3]Staff in Grades A9–A15.
[4]Staff in Grades B1–B5.

formats—including the *Diversity Annual Report*—on the IMF Web site. The Diversity Advisor also has ready access to the Managing Director and the management team. Working closely with the Human Resources Department and other departments, the Diversity Advisor helps to identify needs and opportunities for promoting diversity in each department's annual human resources plan, which provides a business-relevant and systematic framework for the IMF's diversity efforts. Typically, departmental and Fund-wide diversity actions include initiatives in recruitment and career planning, orientation and mentoring for newcomers, and measures to improve performance assessment and management selection and development. The Fund is making special efforts to increase the transparency of human resource policies, procedures, and statistics.

Organization

The IMF staff is organized mainly into departments with regional (or area), functional, information and liaison, and support responsibilities (Figure 9.2). These departments are headed by directors who report to the Managing Director.

Area departments

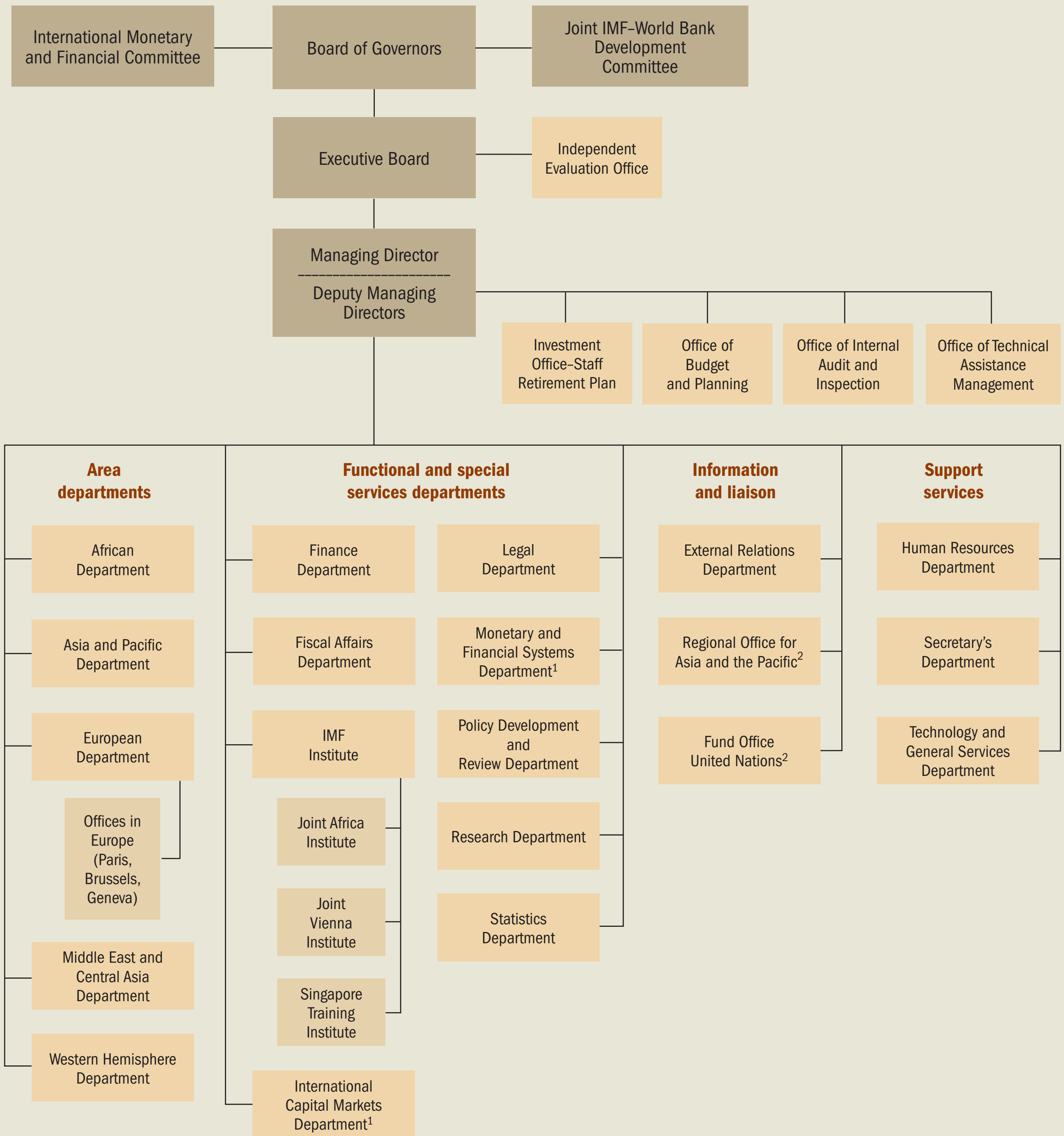
The five area departments—*African, Asia and Pacific, European, Middle East and Central Asia*, and *Western Hemisphere*—advise management and the Executive Board on economic developments and policies in countries in their regions. Their staffs are also responsible for putting together financial arrangements to support members' economic reform programs and for reviewing performance under these IMF-supported programs. Together with relevant functional departments, they provide member countries with policy advice and technical assistance, and maintain contact with regional organizations and multilateral institutions in their geographic areas. Supplemented by staff in functional departments, area departments carry out much of the IMF's country surveillance work through direct contact with member countries. In addition, 87 area department staff are assigned to members as IMF resident representatives (Box 9.9).

Functional and special services departments

The *Finance Department* is responsible for mobilizing, managing, and safeguarding the IMF's financial resources

Figure 9.2 IMF organization chart

(As of April 30, 2006)



[1]The International Capital Markets Department and the Monetary and Financial Systems Department will be merged in FY2007.
[2]Attached to the Office of the Managing Director.

to ensure that they are deployed in a manner consistent with the Fund's mandate. This entails major responsibilities for the institution's financial policies and for the conduct, accounting, and control of all financial transactions. In addition, the department helps safeguard the IMF's financial position by assessing the adequacy of the Fund's capital base (quotas), net income targets, precautionary balances, and the rates of charge and remuneration. Other responsibilities include investing funds in support of assistance to low-income countries and conducting assessments of financial control systems in borrowing members' central banks.

The *Fiscal Affairs Department* is responsible for activities involving public finance in member countries. It participates in area department missions, particularly with respect to the analysis of fiscal issues; reviews the fiscal content of IMF policy advice, including in the context of IMF-supported adjustment programs; helps countries draw up and implement fiscal programs; and provides technical assistance in public finance. It also conducts research and policy studies on fiscal issues, including tax policy and revenue administration, as well as on income distribution and poverty, social safety nets, public expenditure policy issues, and the environment.

As part of the IMF's efforts under the Medium-Term Strategy to strengthen its work on financial surveillance, the *International Capital Markets Department* is being merged with the Monetary and Financial Systems Department (see below) early in FY2007. During FY2006, the department assisted the Executive Board and management in overseeing the international monetary and financial system and enhanced the IMF's crisis prevention and crisis management activities. It also prepared the semiannual *Global Financial Stability Report,* assessing developments in international capital markets. Staff members liaised with private capital market participants, national authorities, and official forums dealing with the international financial system. In addition, the department played a leading role in the IMF's analytical work and advice to members on access to international capital markets and on strategies for external debt management.

The *IMF Institute* provides training for officials of member countries—particularly developing countries—in such areas as financial programming and policy, external sector policies, balance of payments methodology, national accounts and government finance statistics, and public finance (see Chapter 7). The Institute also conducts an active program of courses and seminars in economics, finance, and econometrics for IMF economists.

The *Legal Department* advises management, the Executive Board, and the staff on the applicable rules of law. It prepares most of the decisions and other legal instruments necessary for the IMF's activities. The department serves as counsel to the IMF in litigation and arbitration cases, provides technical assistance on legislative reform, assesses the consistency of laws and regulations with selected international standards and codes, responds to inquiries from national authorities and international organizations on the laws of the IMF, and arrives at legal findings regarding IMF jurisdiction on exchange measures and restrictions.

As mentioned above, the *Monetary and Financial Systems Department* and the International Capital Markets Department are being merged in early FY2007 to strengthen the IMF's work on financial surveillance. During FY2006, the department engaged in four operational areas—financial system surveillance (including the Financial Sector Assessment Program and Article IV consultations), banking supervision and crisis resolution, monetary and exchange rate infrastructure and operations, and technical assistance. It provided analytical, operational, and technical support to member countries and area departments, including development and dissemination of good policies and best practices. An important role was coordinating with collaborating central banks, supervisory agencies, and other international organizations.

The *Policy Development and Review Department* (PDR) plays a central role in the design and implementation of the IMF's policies related to surveillance and the use of the IMF's financial resources. Through its review of coun-

Box 9.9 Resident representatives

At the end of April 2006, the IMF had 87 resident representative positions covering 92 member countries in Africa, Asia, Europe, the Middle East, and the Western Hemisphere. New offices were opened in Burundi, Liberia, Paraguay, the Republic of Congo, Sierra Leone, and Sudan. These posts—usually filled by one IMF employee supported by local staff—enhance IMF policy advice and are often set up in conjunction with a reform program. The representatives, who typically have good access to key national policymakers, can bring major benefits to the quality of IMF country work. In particular, through their professional expertise and deeper familiarity with local conditions, resident representatives contribute to the formulation of IMF policy advice, monitor performance—especially under IMF-supported programs—and coordinate technical assistance. They can also alert the IMF and the host country to potential policy slippages, provide on-site program support, and play an active role in IMF outreach in member countries. Since the advent of enhanced initiatives for low-income countries, resident representatives have helped members develop their Poverty Reduction Strategies (see Chapter 6) by taking part in country-led discussions on the strategy and by presenting IMF perspectives. They also support monitoring of program implementation and institution building, working with different branches of government, civil society organizations, donors, and other stakeholders.

Senior officers

(on April 30, 2006)

Gerd Häusler, Counsellor[1]

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

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

Anoop Singh
Director, Western Hemisphere Department

Functional and special services departments

Michael G. Kuhn
Director, Finance Department

Teresa M. Ter-Minassian
Director, Fiscal Affairs Department

Leslie J. Lipschitz
Director, IMF Institute

Gerd Häusler
Director, International Capital Markets Department[2]

Sean Hagan
General Counsel and Director, Legal Department

Ulrich Baumgartner
Acting Director, Monetary and Financial Systems Department[2]

Mark Allen
Director, Policy Development and Review Department

Raghuram G. Rajan
Director, Research Department

Robert Edwards
Director, Statistics Department

Information and liaison

Thomas C. Dawson II[3]
Director, External Relations Department

Akira Ariyoshi
Director, Regional Office for Asia and the Pacific

Saleh M. Nsouli
Director, Offices in Europe

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

Support services

Jorge R. Márquez-Ruarte[4]
Director, Human Resources Department

Shailendra J. Anjaria
Secretary, Secretary's Department

Inger E. Prebensen[5]
Acting Director, Technology and General Services Department

Offices

Barry H. Potter
Director, Office of Budget and Planning

Bert Keuppens
Director, Office of Internal Audit and Inspection

Claire Liuksila
Director, Office of Technical Assistance Management

Thomas Bernes
Director, Independent Evaluation Office

[1]Mr. Häusler will be leaving the Fund at the end of July 2006.

[2]The International Capital Markets Department and the Monetary and Financial Systems Department will be merged in FY2007. Jaime Caruana will assume the position of Director of the new department in August 2006.

[3]Effective May 1, 2006, Mr. Dawson retired from the Fund. He was succeeded as Director of the External Relations Department by Masood Ahmed.

[4]Effective June 6, 2006, Liam P. Ebrill succeeded Mr. Márquez-Ruarte as Director of the Human Resources Department. Mr. Márquez-Ruarte became Associate Director of the Policy Development and Review Department.

[5]Frank Harnischfeger will assume the position of Director, Technology and General Services Department, in September 2006.

try and policy work, PDR seeks to ensure the consistent application of IMF policies throughout the institution. In recent years, the department has spearheaded the IMF's work in strengthening the international financial system, streamlining and focusing conditionality, and developing the Poverty Reduction and Growth Facility (PRGF) and the Heavily Indebted Poor Countries (HIPC) Initiative. PDR economists participate in country missions with area department staff, typically covering 80–90 countries a year, and assist member countries that are making use of IMF resources to mobilize other financial resources.

The *Research Department* conducts policy analysis and research in areas relating to the IMF's work. The department plays a prominent role in global surveillance and in developing IMF policy concerning the international monetary system. It cooperates with other departments in formulating IMF policy advice to member countries. It coordinates the semiannual *World Economic Outlook* exercise and prepares analysis for the surveillance discussions of the Group of Seven, the Group of Twenty, and such regional groupings as the Asia Pacific Economic Cooperation (APEC) forum, and the Executive Board's discussions of world economic and market developments. The department also maintains contacts with the academic community and with other research organizations.

The *Statistics Department* maintains databases of country, regional, and global economic and financial statistics, and reviews country data in support of the IMF's surveillance role. It is also responsible for developing statistical concepts in external sector, government finance, and monetary and financial statistics, as well as for producing methodological manuals. The department provides technical assistance and training to help members develop statistical systems and produces the IMF's statistical publications. In addition, it is responsible for developing and maintaining standards for the dissemination of data by member countries.

Information and liaison

The *External Relations Department* works to promote public understanding of and support for the IMF and its policies. It aims to make the IMF's policies understandable through many activities aimed at transparency, communication, and engagement with a wide range of stakeholders. It prepares, edits, and distributes most IMF publications and other material, promotes contacts with the press and other external groups, such as civil society organizations and parliamentarians, and manages the IMF's Web site.

The IMF's *offices in Asia and Europe and at the United Nations* maintain close contacts with other international and regional institutions. The UN Office also makes a substantive contribution to the Financing for Development process, while the offices in Asia and Europe contribute to bilateral and regional surveillance and are a major part of the IMF's outreach effort.

Support services

The *Human Resources Department* helps ensure that the IMF has the right mix of staff skills, experience, and diversity to meet the changing needs of the organization, and that human resources are managed, organized, and deployed in a manner that maximizes their effectiveness, moderates costs, and keeps the workload and stress at acceptable levels. The department develops policies and procedures that help the IMF achieve its work objectives, manages compensation and benefits, recruitment, and career planning programs, and supports organizational effectiveness by assisting departments with their human-resource-management goals.

The *Secretary's Department* organizes and reports on the activities of the IMF's governing bodies and provides secretariat services to them, as well as to the Group of Twenty-Four. In particular, it assists management in preparing and coordinating the work program of the Executive Board and other official bodies, including by scheduling and helping ensure the effective conduct of Board meetings. In carrying out these tasks, the department helps promote open and efficient channels of communication between the governing bodies, management, and staff. The department, in cooperation with its counterpart office in the World Bank, also organizes the arrangements for the Annual Meetings.

The *Technology and General Services Department* manages and delivers services essential for the IMF's operation. These include information services (information technology, library services, multimedia services, records and archives management, and telecommunications); facilities services (building projects and facilities management); general administrative services (travel management, conference and catering services, and procurement services); language services (translation, interpretation, and preparation of publications in languages other than English); and a broad range of security and business continuity services (covering headquarters security, field security, and information technology security).

The IMF also has *offices* responsible for internal auditing and review of work practices, budget matters, technical assistance, and investments under the staff retirement plan.

Office of Internal Audit and Inspection

The *Office of Internal Audit and Inspection* (OIA) contributes to the internal governance of the IMF by providing independent examinations of the effectiveness of the risk-management, control, and governance processes of the IMF. To meet this objective, OIA conducts about 25 audits and reviews per year. These audits and reviews include examining the adequacy of controls and procedures to safeguard and administer Fund assets and financial accounts, assessing the efficiency and effectiveness with which internal resources are being used, evaluating the adequacy of the management of information technology, and ensuring that adequate physical and information security measures are in place. Under its multiyear program of reviews, OIA subjects IMF departments to comprehensive reviews that assess whether their activities are aligned with the overall goals of the Fund, whether resources dedicated to low-priority activities can be reallocated, and whether the work is conducted in an efficient and effective fashion. In line with best practices, OIA reports to IMF management and to the External Audit Committee, thus assuring its independence. In addition, the Executive Board is briefed annually on OIA's work program and the major findings of its audits and reviews.

Independent Evaluation Office

The *Independent Evaluation Office* (IEO) was established in 2001 with a view to increasing transparency and accountability and strengthening the learning culture of the IMF. The IEO is independent of IMF management and staff and operates at arm's length from the Executive Board, to which it reports on its findings.[11]

[11]Detailed information on the IEO's activities is available on its Web site, *www.imf.org/ieo.*

During FY2006, the IEO completed three evaluations: the Financial Sector Assessment Program (see Chapter 4), multilateral surveillance (see Chapter 3), and IMF support to Jordan 1989–2004. A fourth evaluation, on the IMF's advice on capital account liberalization, was completed in FY2005 but discussed by the IMF's Executive Board in FY2006 (see Chapter 4). Formal outreach seminars were held in Asia, Europe, and the Middle East. Currently ongoing evaluations relate to structural conditionality in IMF-supported programs, the IMF's role in the determination of the external resource envelope in sub-Saharan African countries, and the IMF's advice on exchange rate policy.

To help prepare additions to its work program in FY2007, the IEO has published a broad list of possible topics for evaluation over the medium term, reflecting the many suggestions received from outside stakeholders as well as IMF Executive Directors, management, and staff.

External evaluation of the IEO

The IEO itself underwent an external evaluation in early 2006. The resulting report confirmed that the IEO is an important part of good governance at the IMF, and made several recommendations to further strengthen the work of the office.

In April 2006, the IMF Executive Directors met to discuss the report on the IEO prepared by an External Evaluation Panel.[12] They agreed that the IEO had served the IMF well and earned strong support across a broad range of stakeholders. They also agreed that the IMF continued to need an independent evaluation office to contribute to the institution's learning culture and facilitate oversight and governance by the Executive Board. In this connection, Directors welcomed the Panel's observation that the IEO has acted independently.

At the same time, Directors noted the weaknesses highlighted in the report and welcomed its analysis and recommendations for further strengthening the IEO's effectiveness. In particular, Directors concurred that a more focused and strategic orientation, together with strong support from the Board and management, would help ensure the IEO's continued usefulness and relevance.

To maintain the high quality of IEO reports, Directors called for them to be shorter, with more focused assessments and recommendations. Many Directors emphasized that IEO reports should look beyond process to substance, including judgments on the theoretical foundations and analytical frameworks underlying the Fund's advice. Directors generally agreed with the Panel's recommendation that IEO outreach activities should be intensified.

Directors generally welcomed the Panel's suggestions for strengthening follow-up to the IEO's recommendations, including more Board involvement. They considered that the Panel's call for a more systematic approach for following up on and monitoring the implementation of IEO recommendations approved by the Board should be further examined.

Directors were pleased that the IEO was taking the lead in reviewing its existing publications policy to ensure that it reflected evolving best practice. They agreed that any changes in the IEO's publications policy should be consistent with ensuring its independence.

As for next steps, careful consideration will be given to the Panel's recommendations and the Board's views, and the Evaluation Committee, the IEO, and IMF staff and management will engage in further discussion. Directors considered it appropriate to conduct another external evaluation of the IEO in five years.

[12]The discussion is summarized in Public Information Notice No. 06/67, which can be found at *www.imf.org/external/np/sec/pn/2006/pn0667.htm;* the report is available at *www.imf.org/external/np/pp/eng/2006/032906.pdf.*