



Message from the Managing Director and Chair of the Executive Board

Management team, from left:
Rodrigo de Rato, Managing Director and Chair of the Executive Board
Agustín Carstens, Deputy Managing Director
Anne O. Krueger, First Deputy Managing Director
Takatoshi Kato, Deputy Managing Director

The Annual Report of the IMF's Executive Board to the Fund's Board of Governors is an essential instrument in the IMF's accountability. The Executive Board, which is responsible for conducting the Fund's business, consists of 24 Executive Directors appointed or elected by the IMF's 184 member countries, while the Board of Governors, on which every member country is represented by a senior official—in almost all cases the finance minister or central bank governor—is the highest authority governing the IMF. But the Annual Report does not only represent the accountability of the Executive Board to the Fund's Board of Governors. Its publication also signifies the Fund's broader accountability, to the public at large. Today that accountability is also represented by the Fund's prompt publication of a large majority of the reports discussed by the Executive Board, summaries of most Board discussions, and a substantial volume of other material—demonstrating the IMF's commitment to transparency.

This Annual Report, covering the financial year to the end of April 2005, describes what was another very active period for the institution, despite an unusually benign global economic environment, with a notable absence of serious financial crises. World economic growth was strong, and inflation remained subdued. The expansion continued to be led mainly by the United States and China, and other Asian emerging market economies, but economic performance improved in almost every region. Sub-Saharan Africa, in particular, posted its highest growth in a decade in 2004—an encouraging boost to the poverty reduction that the region so urgently needs. These favorable developments reflected, to a significant extent, improvements in policies in recent years in a number of member countries—improvements actively supported in many cases by the IMF.

Nevertheless, there remained significant risks to the global expansion—including chronic payments imbalances and rising oil prices—and countries continued to face challenges in the pursuit of reforms needed to secure sustained, strong growth with high levels of employment. Much of the IMF's work last year, especially through its surveillance over the economies of all its member countries, and over the global economy and monetary system, involved advice on, and advocacy of, policies to address these risks and challenges. The Fund also again provided financial support for policy programs in many developing and emerging market countries—programs aimed at enhancing sustainable growth as well as resolving balance of payments difficulties.

Looking ahead, the continuing favorable economic outlook should provide countries with further opportunities, which they should seize, to strengthen their economies. For low-income countries, in particular, the prospect of enhanced financial support by the international community has improved the chances that the Millennium Development Goals (MDGs) will be achieved, but only if the countries themselves take the bold policy actions needed to foster stronger growth and poverty reduction. At the international level, an especially high priority now, including for faster progress in reducing poverty, is that all countries meet their commitments to achieve an ambitious liberalization of trade under the Doha Round.

The IMF also remained busy in FY2005 with reforms of its own policies and operations. We conducted periodic reviews of some major operational policies, including surveillance and conditionality in IMF-supported programs. Such reviews of particular operations form part of the Fund's culture of learning and change. But it is crucial also that we occasionally step back to take a fresh look at our institution

as a whole. For that reason, a few months after I became Managing Director in June 2004, I initiated a review of the Fund's strategic direction. For the IMF to continue to serve, as effectively as possible, its member countries and the purposes for which it was established, it has to be in a position to help its member countries deal with the forces that are likely to shape the global economy in the coming years. The strategic review is an opportunity to explore a variety of issues and consider their implications for the work of the Fund. These include global financial flows, regional integration, efforts to help low-income countries reduce poverty and achieve the MDGs, and the Fund's own governance.

I look forward to discussion of the Fund's medium-term strategy at our September 2005 Annual Meetings of Governors. A sense is already emerging that the IMF, in its continuing evolution, must remain grounded in its core mandate, laid out 61 years ago in the

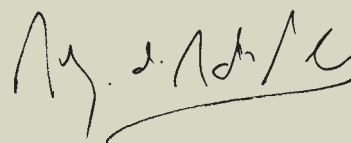
Fund's Articles of Agreement—to promote international monetary cooperation; to foster the balanced growth of international trade; to promote exchange rate stability; to assist in the functioning of a multilateral system of payments; to promote macroeconomic and financial stability, which is essential for sustained growth; and to help countries deal with balance of payments difficulties. Over the past six decades, as international economic integration and interdependence have increased, the presence of an organization and forum with these purposes—an organization that is international, now virtually global, where countries come together with their naturally different perspectives to cooperate on economic and financial matters—has become more and more relevant to the world's needs. Our challenge is to further enhance the IMF's effectiveness in serving these purposes, including by ensuring that the Fund is as up-to-date as the rapidly evolving global economy and financial system.

Letter of Transmittal to the Board of Governors

August 18, 2005

Dear Mr. Chairman:

I have the honor to present to the Board of Governors the Annual Report of the Executive Board for the financial year ended April 30, 2005, in accordance with Article XII, Section 7(a) of the Articles of Agreement of the International Monetary Fund and Section 10 of the IMF's By-Laws. In accordance with Section 20 of the By-Laws, the administrative and capital budgets of the IMF approved by the Executive Board for the financial year ending April 30, 2006, are presented in Chapter 7. The audited financial statements for the year ended April 30, 2005, of the General Department, the SDR Department, and the accounts administered by the IMF, together with reports of the external audit firm thereon, are presented in Appendix VII.

A handwritten signature in black ink, appearing to read 'Rodrigo de Rato', with a long horizontal flourish underneath.

Rodrigo de Rato
*Managing Director and
Chair of the Executive Board*

Executive Board

on April 30, 2005



United States

Nancy P. Jacklin
Meg Lundsager



Japan

Shigeo Kashiwagi
Michio Kitahara



Germany

Karlheinz Bischofberger
Gert Meissner



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

Jeroen Kremers
Yuriy G. Yakusha



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

Moisés Schwartz
Mary Dager



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

Pier Carlo Padoan
Miranda Xafa



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

A. Shakour Shaalan
Oussama T. Kanaan



Saudi Arabia

Sulaiman M. Al-Turki
Abdallah S. Alazzaz



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

Hooi Eng Phang
Made Sukada



Russian Federation

Aleksei V. Mozhin
Andrei Lushin



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

Abbas Mirakhor
Mohammed Dairi



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

Murilo Portugal
Roberto Steiner



France

Pierre Duquesne
Olivier Cuny



United Kingdom

Tom Scholar
Andrew Hauser



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

Willy Kiekens
Johann Prader



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

Kevin G. Lynch
Charles X. O'Loghlin



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

Jon A. Solheim
David Farelius



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

Jong Nam Oh
Richard Murray



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

Peter J. Ngumbullu
Peter Gakunu



China

WANG Xiaoyi
GE Huayong



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

Fritz Zurbrugg
Andrzej Raczko



Bangladesh, Bhutan, India, Sri Lanka

B.P. Misra
Amal Uthum Herat



Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay

Héctor R. Torres
Javier Silva-Ruete



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

Damian Ondo Mañe
Laureen W. Rutayisire