4 CONFRONTING THE ONGOING GLOBAL CRISIS

CONFRONTING THE ONGOING GLOBAL CRISIS

MANAGING DIRECTOR'S GLOBAL POLICY AGENDA

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

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

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

Supporting jobs and growth

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

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

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

Jobs and growth: Analytical and operational considerations

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

Box 4.1

Balancing growth and fiscal consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

- more systematic analysis of growth and employment challenges, and identification of the most binding constraints on inclusive growth and jobs.

- more systematic integration of policy advice on tax and expenditure policy reforms to create conditions to encourage labor force participation, including among women; more robust job creation; more equity in income distribution; and greater protection for the most vulnerable.

- enhancing advice on labor market policies based on currently available empirical evidence and greater collaboration with other international institutions.

Fiscal policy and employment in advanced and emerging market economies

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

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

Debt sustainability

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

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

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

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

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

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

Box 4.2

Fiscally sustainable and equitable pension systems for Asia

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

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

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

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

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

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

Guidance Note on Public Debt Sustainability Analysis for Market Access Countries

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

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

Strengthening financial systems

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

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

Key attributes of effective resolution regimes for financial institutions

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

Revision of Guidelines for Foreign Exchange Reserve Management

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

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

Global imbalances and spillovers

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

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

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

POVERTY REDUCTION AND GROWTH TRUST

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

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

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

Distribution of remaining windfall gold sales profits

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

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

- a base envelope of about SDR 1.25 billion (US$1.93 billion) in annual financing capacity that is expected to cover concessional financing needs in normal periods.

- contingent measures, including bilateral fund-raising and temporary suspension of reimbursement of the GRA for PRGT administrative expenses, that can be implemented when average financing needs exceed the base envelope by a substantial margin for an extended period.

- a principle of self-sustainability, so that any future modifications to financing facilities for low-income countries would be expected to ensure that the demand for IMF concessional lending can be met with resources available under the first two pillars of this strategy under a plausible range of scenarios.[51]

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

Extension of temporary interest waiver for low-income countries

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

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

FINANCING

Nonconcessional financing activity during the year

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

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

Table 4.1

IMF financing facilities

Credit facility (year adopted)[1]	Purpose	Conditions	Phasing and monitoring
CREDIT TRANCHES AND EXTENDED FUND FACILITY[3]			
Stand-By Arrangement (SBA) (1952)	Medium-term assistance for countries with balance of payments difficulties of a short-term character.	Adopt policies that provide confidence that the member's balance of payments difficulties will be resolved within a reasonable period.	Quarterly purchases (disbursements) contingent on observance of performance criteria and other conditions.
Extended Fund Facility (EFF) (1974) (Extended Arrangement)	Longer-term assistance to support members' structural reforms to address balance of payments difficulties of a long-term character.	Adopt up to 4-year program, with structural agenda, with annual detailed statement of policies for the next 12 months.	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions.
Flexible Credit Line (FCL) (2009)	Flexible instrument in the credit tranches to address all balance of payments needs, potential or actual.	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record.	Approved access available up front throughout the arrangement period, subject to a midterm review after 1 year.
Precautionary and Liquidity Line (PLL) (2011)	Instrument for countries with sound economic fundamentals and policies.	Strong policy frameworks, external position, and market access, including financial sector soundness.	Large front-loaded access, subject to semiannual reviews (for 1- to 2-year PLL).
SPECIAL FACILITIES			
Rapid Financing Instrument (RFI) (2011)	Rapid financial assistance to all member countries facing an urgent balance of payments need.	Efforts to solve balance of payments difficulties (may include prior actions).	Outright purchases without the need for full-fledged program or reviews.
FACILITIES FOR LOW-INCOME MEMBERS UNDER THE POVERTY REDUCTION AND GROWTH TRUST			
Extended Credit Facility (ECF) (2010)[5]	Medium-term assistance to address protracted balance of payments problems.	Adopt 3- to 4-year ECF arrangements. ECF-supported programs are based on Poverty Reduction Strategy Papers (PRSPs) prepared by countries in a participatory process and integrating macroeconomic, structural, and poverty reduction policies.	Semiannual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews.
Standby Credit Facility (SCF) (2010)	To resolve short-term balance of payments and precautionary needs.	Adopt 12- to 24-month SCF arrangements.	Semiannual (or occasionally quarterly) disbursements contingent on observance of performance criteria and reviews (if drawn).
Rapid Credit Facility (RCF) (2010)	Rapid assistance for urgent balance of payments needs where an upper-credit-tranche-quality program is not needed or feasible.	No review-based program necessary or ex post conditionality.	Usually in a single disbursement.

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

2 The *rate of charge* on funds disbursed from the General Resources Account (GRA) is set at a margin over the weekly interest rate on SDRs. The rate of charge is applied to the daily balance of all outstanding GRA drawings during each IMF financial quarter. In addition, a service charge of 0.5 percent is levied on each drawing of IMF resources in the GRA, other than reserve tranche drawings. An up-front commitment fee (15 basis points on committed amounts of up to 200 percent of quota; 30 basis points for amounts in excess of 200 percent and up to 1,000 percent of quota; and 60 basis points for amounts in excess of 1,000 percent of quota) applies to the amount that may be drawn during each (annual) period under a Stand-By, Flexible Credit Line, Precautionary and Liquidity Line, or Extended Arrangement; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement. For facilities for low-income members under the PRGT, an interest rate mechanism was established in 2009 linking the concessional interest rates to the SDR interest rate and regular reviews. At these reviews, the applicable interest rates are set as follows: if the average SDR interest rate observed in the most recent 12-month period is less than 2 percent, the interest rate for ECF and RCF loans shall be set at 0 percent per year, and at 0.25 percent per year for SCF loans; if the average SDR interest rate is 2 percent or more, up to 5 percent, the interest rate for ECF and RCF loans shall be set at 0.25 percent per year, and

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

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

3 *Credit tranches* refer to the size of purchases (disbursements) in terms of proportions of the member's quota in the IMF; for example, disbursements up to 25 percent of a member's quota are disbursements under the *first* credit tranche and require members to demonstrate reasonable efforts to overcome their balance of payments problems. Requests for disbursements above 25 percent are referred to as *upper*-credit-tranche drawings; they are made in installments as the borrower meets certain established performance targets. Such disbursements are normally associated with a Stand-By or Extended Arrangement. Access to IMF resources outside an arrangement is rare and expected to remain so.

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

5 ECF previously known as Poverty Reduction and Growth Facility.

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

Concessional financing activity during the year

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

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

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

Table 4.2

Arrangements under main facilities approved in FY2013

(Millions of SDRs)

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

Source: IMF Finance Department.

Box 4.3

Safeguards assessments: Policy and outreach

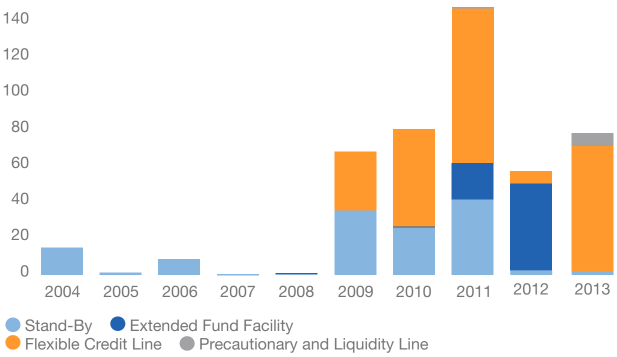
When the IMF provides financing to a member country, a safeguards assessment is carried out to obtain assurances that its central bank is able to adequately manage the resources it receives from the IMF and provide reliable information. Safeguards assessments are diagnostic reviews of central banks'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

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

Figure 4.1

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

(Billions of SDRs)

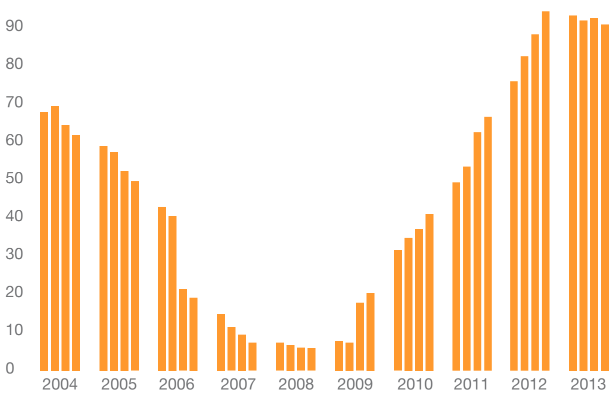


Source: IMF Finance Department.

Figure 4.2

Nonconcessional financing outstanding, FY2004–13

(Billions of SDRs)



Source: IMF Finance Department.

ENGAGEMENT WITH OTHER ORGANIZATIONS

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

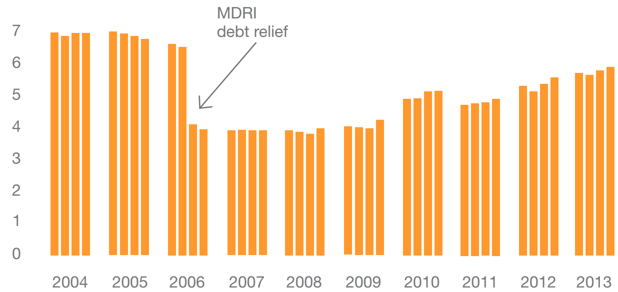
European Commission and European Central Bank

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

Figure 4.3

Concessional financing outstanding, FY2004–13

(Billions of SDRs)



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

Table 4.3

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

(Millions of SDRs)

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

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

Group of Twenty

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

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

Financial Stability Board

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

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

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

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

World Bank Group

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

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

United Nations

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

Deauville Partnership

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

CAPACITY DEVELOPMENT

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

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

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

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

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

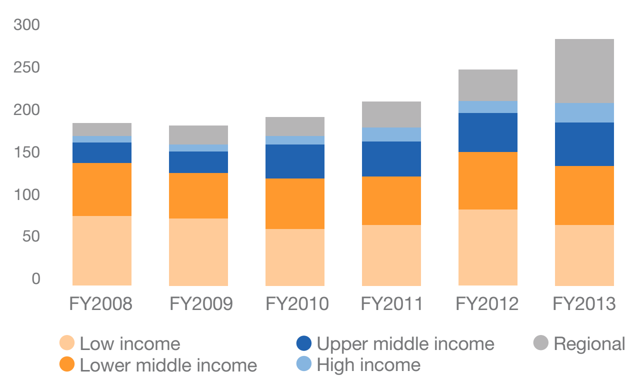
Technical assistance initiatives

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

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

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

Figure 4.4
Technical assistance field delivery in FY2008–13 by country income group
(Person-years)



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

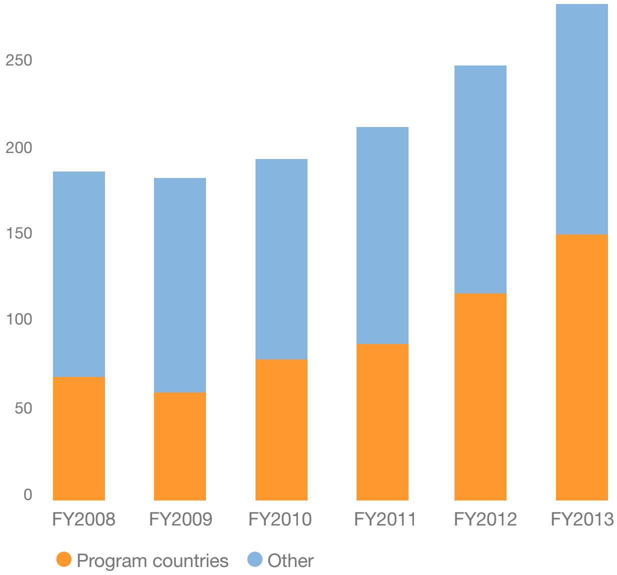
Left A young boy sells bread at a stall in Bangui, Central African Republic **Right** At the 2013 Spring Meetings, Deputy Managing Director Nemat Shafik shakes hands with the Finance Minister of Ghana, The Honorable Seth Terkper, after signing a memorandum of understanding to establish the new Africa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

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

Figure 4.5

Technical assistance field delivery in FY2008–13 by country status

(Person-years)



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

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

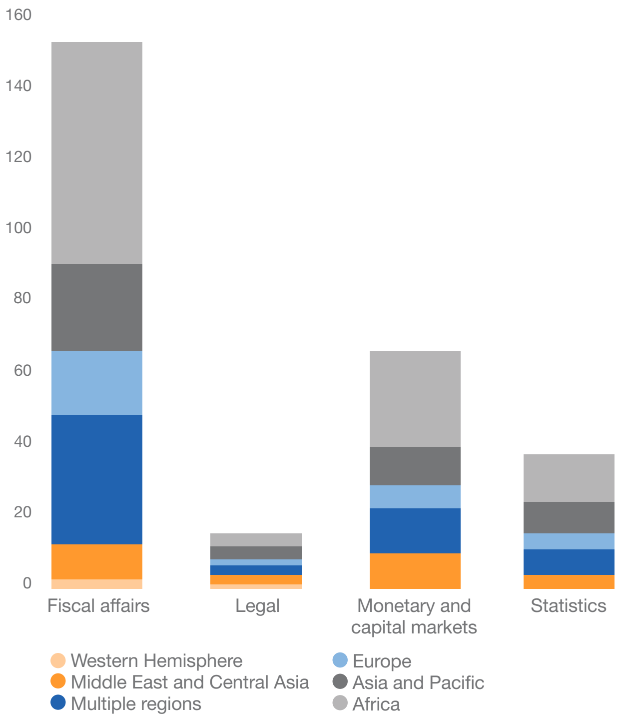
Members often seek IMF advice on regulatory and supervisory issues. As a consequence of the global crisis, the IMF has provided advice to crisis-hit countries on macro-prudential policy, bank resolution, and crisis management. There has also been growing interest in the establishment of a financial stability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

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

Figure 4.6

Technical assistance field delivery during FY2013 by subject and region

(Person-years)

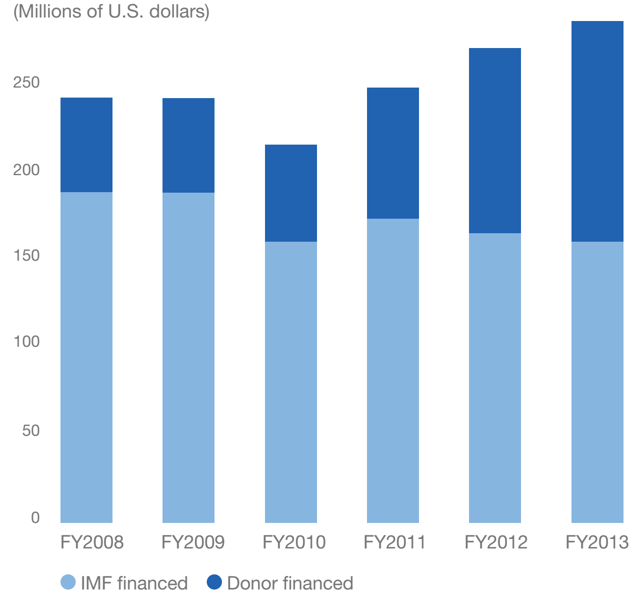


Source: IMF Institute for Capacity Development from Fiscal Affairs Department, Legal Department, Monetary and Capital Markets Department, and Statistics Department data.

Figure 4.7

Expansion of capacity development through donor support

(Millions of U.S. dollars)



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

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

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

Training

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

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

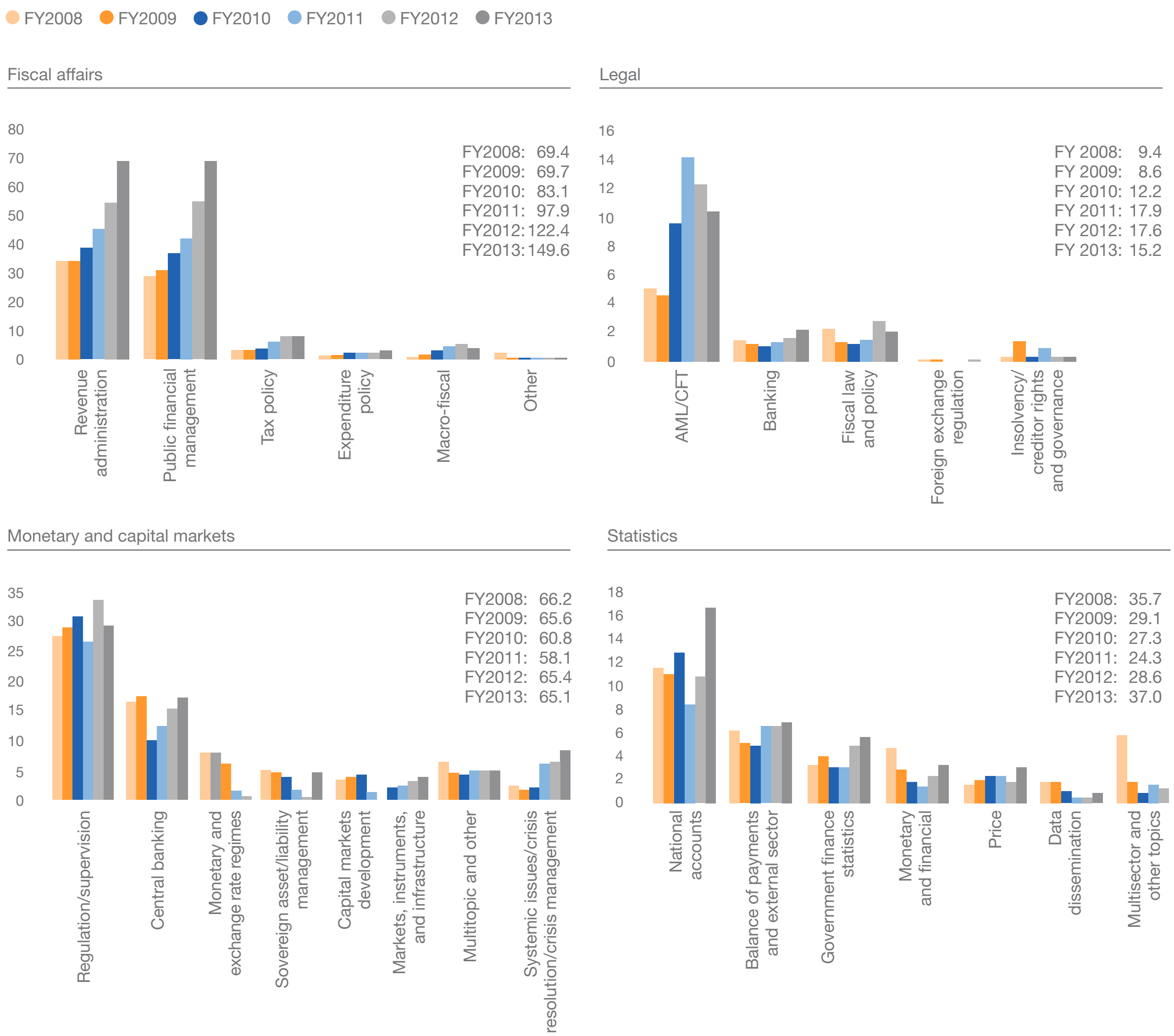
With the support of external donors and training partners, training equivalent to just over 12,000 participant-weeks was delivered by the IMF during the year, and more than 7,700 officials attended training (broadly unchanged from the previous year).[61] Middle-income countries received the largest volume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

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

Figure 4.8

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

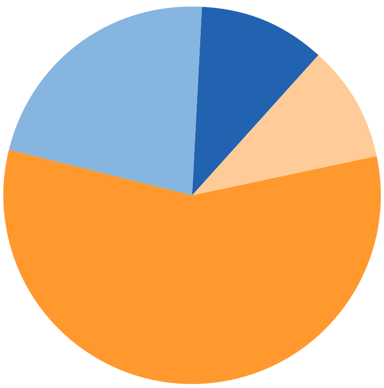
(Person-years)



Source: IMF Institute for Capacity Development.

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

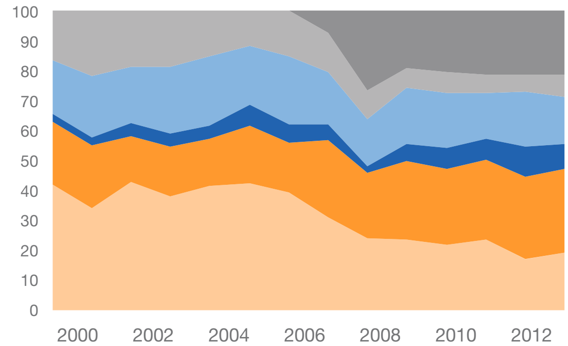
Figure 4.9
Training by department, FY2013
(Percent of total participant-weeks)



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

Source: IMF Institute for Capacity Development.

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



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

Source: IMF Institute for Capacity Development (ICD).

External support

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

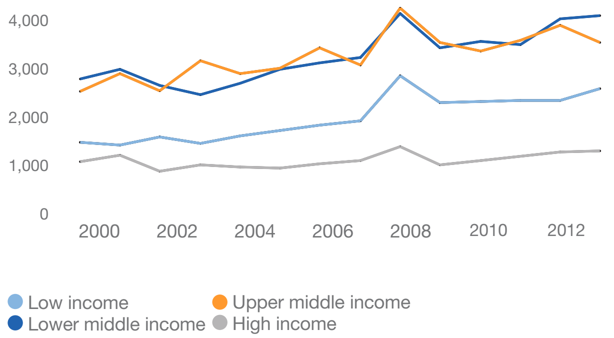
RTACs allow the IMF to tailor technical assistance to a region's unique needs, coordinate more closely with other assistance providers, and respond swiftly as new needs emerge. Of the eight existing RTACs, four are in Africa and the others are in the Caribbean, Central America, the Middle East, and the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

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

Figure 4.11

Training by country income group, FY2000–13

(Participant-weeks)

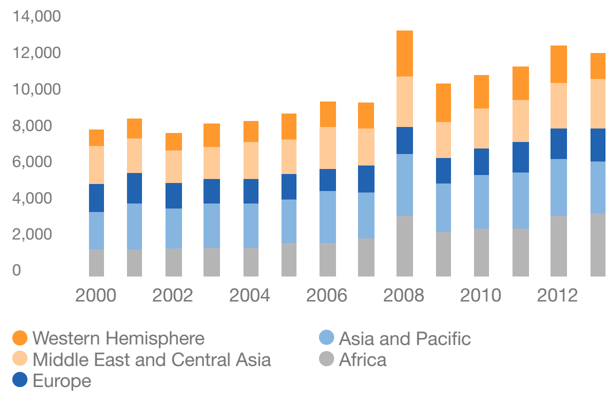


Source: IMF Institute for Capacity Development.

Figure 4.12

Training by region, FY2000–13

(Participant-weeks)



Source: IMF Institute for Capacity Development.

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

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

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

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

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

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

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

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

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

DATA AND DATA STANDARDS INITIATIVES

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

Standards for data dissemination

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

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

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

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

Other data-related activities

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

New and revised publications and databases

Revision of *Government Finance Statistics Manual 2001*

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

Handbook on Securities Statistics

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

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

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

Release of updated survey results

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

ArabStat launch

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