INTERNATIONAL MONETARY FUND

Report of the Managing Director to the International Monetary and Financial Committee on the IMF's Policy Agenda

October 19, 2007

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Abbreviations and Acronyms

BIS	Bank for International Settlements
CGER	Consultative Group on Exchange Rates
DSF	Debt Sustainability Framework
FSAP	Financial Sector Assessment Program
FSF	Financial Stability Forum
GDDS	General Data Dissemination System
GFSR	Global Financial Stability Report
GRA	General Resources Account
HIPC	Heavily Indebted Poor Countries
IEO	Independent Evaluation Office
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
JMAP	Joint Management Action Plan
MC	Multilateral Consultation
MCM	Monetary and Capital Markets Department
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MTS	Medium-Term Strategy
OECD	Organization for Economic Co-operation and Development
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
ROSC	Report on Standards and Codes
SDDS	Special Data Dissemination System
TA	Technical Assistance
TSR	Triennial Surveillance Review
VE	Vulnerability Exercise
WEO	World Economic Outlook

I. Introduction

1. **The Fund's Policy Agenda is focused on helping its members meet the challenges of globalization.** A strategic review to consider how best to redefine the role of the institution was launched in June 2004 and a first report on the Medium-Term Strategy (MTS), published in September 2005, concluded that the emergence of new dynamic economies, integrated financial markets, unprecedented capital flows, and new ideas to promote economic development required an updated interpretation of the Fund's mandate as the steward of international financial cooperation and stability. Significant progress has been made in implementing this strategy.

2. **This report reviews the work of the Fund since the 2007 Spring Meetings and the priorities for the period ahead.** Progress has been made in the past few months with respect to the framework for surveillance and its implementation, quota and voice, and the Fund's income model. Other key aspects of the MTS have also advanced, including with regard to Bank-Fund collaboration and the Fund's role in low-income countries. Future work will focus on completion of the quota and voice reform, reaching agreement on the Fund's new income model, and delivering budgetary restraint, as well as addressing the evolving challenges facing the Fund and the world economy, notably the financial market turbulence and financial globalization.

3. **The paper reports on recent developments in the global economy (Section II) and progress in the following key areas:** reshaping surveillance (Section III); emerging market economies and crisis prevention (Section IV); the role of the Fund in low-income countries (Section V); quota and voice issues (Section VI), building institutions and capacity (Section VII); and managing an effective institution (Section VIII).

II. Recent Developments in the Global Economy

4. **Although the global economy grew strongly in the first half of 2007, recent financial market turbulence is clouding the outlook for growth.** The projections for global growth in the latest World Economic Outlook (WEO), particularly in 2008, have been lowered modestly relative to the July 2007 WEO Update. Nevertheless, global growth would still be close to 5 percent, led by emerging markets. At this stage, the short-term outlook is uncertain with risks firmly on the downside. Coming on the heels of five years of remarkably benign conditions, the current episode of financial turbulence represents the first significant test of several categories of innovative financial instruments used to broadly distribute credit risks. The September 2007 Global Financial Stability Report (GFSR) assesses how the current situation arose, reviews the possible size and impact of likely losses on credit securities as well as the knock-on effects for other markets and countries, and provides some tentative policy recommendations. It also evaluates how common use of modern risk management techniques may have contributed to higher risk-taking during the benign environment, but the reversal of risk preferences during the period of stress has caused volatility in some markets to be amplified.

5. **While it is too early to draw definitive lessons from the recent period of financial turbulence, the Fund is uniquely placed to analyze events and provide a forum for discussion and action.** The latest WEO and GFSR have provided important background for analysis of events, and the refocusing of bilateral surveillance should allow a better identification of countries' resilience and vulnerabilities. The Fund could play a role in bringing decision makers together to share analysis and look for complementary policy action to tackle emerging issues of financial stability (see Box 1 and ¶12). The Fund works closely with other international organizations and officials in member countries, and keeps abreast of market participants' views. As part of this contact and cooperation, the Fund sponsored a conference last month on globalization and systemic risk with the Chicago Fed. A conference on financial stability with the BIS/FSF is planned for next month, along with several seminars on the current situation as part of the Annual Meetings' Program of Seminars. We have recently established an internal staff Working Group on Financial Crises of the Future to look into the likely nature of future crises and the role the Fund could play in crisis prevention and resolution.[1]

III. Reshaping Surveillance

6. **Renewing the foundations of bilateral surveillance and strengthening its implementation is a key objective of the Fund.** To this end, emphasis has been placed on modernizing the framework for bilateral surveillance and deepening further the integration of financial sector issues in surveillance.

A. Modernizing the Framework for Surveillance

7. **A new Decision on Bilateral Surveillance over Members' Policies was approved by the Board on June 15, 2007.**[2] The adoption of this decision concluded a year-long review of the 1977 Decision on Surveillance Over Exchange Rate Policies, and replaced that Decision. Its adoption is a keystone of the efforts to upgrade the foundations of Fund bilateral surveillance. The Decision crystallizes a common vision of the best practice for surveillance, characterized by greater clarity, candor, evenhandedness, and accountability, and provides guidance to both the Fund, in the conduct of surveillance, and to members, in the conduct of their exchange rate policies. Under the new Decision, the concept of external stability becomes an organizing principle for surveillance. As noted during the Board discussion, the Decision brings greater clarity and specificity to the principles guiding members' exchange

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[1] As indicated in the *May 2007 Work Program*, a staff Working Group has been established to study how recent developments and innovations in global financial markets may affect the transmission channels of financial crises to emerging markets and developing countries, and the potential implications for the Fund's future role in crisis prevention and resolution. Its work will complement other strands of work in the Fund on understanding the implications of the recent financial turmoil, including its impact on mature markets. The Working Group is chaired by the First Deputy Managing Director, and comprises senior staff from functional and area departments.

[2] *IMF Executive Board Adopts New Decision on Bilateral Surveillance Over Members' Policies* (PIN/07/69, 6/21/07).

rate policies. The new Decision has begun to be applied to Article IV consultations, and has already led to increased scrutiny of members' contributions to a stable system of exchange rates. Recent Article IV Board meetings have provided useful opportunities to develop operational aspects in the implementation of the new Decision. A revised Surveillance Guidance Note is under preparation.

8. **Agreement was reached in principle on the adoption by the Executive Board of a Statement of Surveillance Priorities for both bilateral and multilateral surveillance in the context of the 2008 Triennial Surveillance Review (TSR).** The Statement of Surveillance Priorities will further specify the immediate objectives of surveillance, strengthen its focus, and enhance accountability in its implementation. It will highlight both economic and operational priorities for the next three years, spelling out the respective responsibilities of Fund staff and management, and of the Board in pursuing them. Performance in attaining the identified priorities will be assessed in the context of the following TSR. Other issues to be covered in the 2008 TSR include an assessment of the effectiveness of the various initiatives taken in response to the 2004 Biennial Surveillance Review and the MTS, including the integration of financial sector issues into macroeconomic analysis.

B. Improving the Implementation of Bilateral Surveillance

9. **Adoption of the new bilateral Surveillance Decision was an important part of the Fund's efforts to make surveillance more effective, but not the only one.** Major progress has been made in enhancing the integration of financial sector issues in bilateral surveillance, including, in particular, integrating the findings of the WEO and GFSR and assessments of vulnerabilities into surveillance work (see Box 1). In addition, refining the tools for assessing individual member countries' exchange rates and exchange rate policies has been another important initiative. The Board has endorsed a work plan to implement a number of recommendations from the Independent Evaluation Office (IEO)'s assessment of the Fund's exchange rate policy advice.[3] [4] Besides the refinements introduced by the new surveillance decision, the plan emphasizes better guidance and knowledge dissemination within staff, further work on CGER, and intensified work on individual country cases.

[3] *IEO Releases Report on IMF Exchange Rate Policy Advice, 1999-2005* (PR/07/02, 5/17/07).

[4] *IMF Executive Board Discusses Implementation Plan Following IEO Evaluation of the IMF's Exchange Rate Policy Advice, 1999-2005* (PIN/07/119, 10/2/07).

Box 1. The Financial Sector and the Fund

Since the Spring Meetings, deepening the analysis of financial stability issues in surveillance, in addition to focusing on the challenges posed by financial globalization, have remained a priority. Recent activities in these areas include:

- Better integrating the findings from the WEO and GFSR into the Fund's bilateral surveillance, particularly as regards emerging financial sector trends.
- Increasing MCM participation in Article IV missions.
- Revamping the methodology underlying the staff's semi-annual review of vulnerabilities among emerging market economies to separate underlying vulnerabilities and crisis risks, as well as to take into account more aspects of vulnerabilities (see Section IV).
- Holding an informal Board discussion in June 2007 on reaping the benefits of financial globalization, risk sharing, crisis risk, and macroeconomic volatility.
- Reviewing a range of issues related to financial stability, against the background of interest by the membership, that could serve as a possible subject for a second multilateral consultation.
- Preparing a new guidance note for financial sector surveillance to be issued in 2008 and developing new training programs to enhance staff's understanding of financial sector issues.
- Collaborating with the World Bank in the area of financial sector issues in the context of the Joint Bank-Fund Management Action Plan, following up the Malan report (see Section VIII).
- Collaborating closely with financial standard setters and financial sector bodies.

10. **Work to strengthen surveillance will continue with a view to enhancing assessments of exchange rates**. Existing CGER techniques will be strengthened and further analysis of the methodology for assessing the exchange rate policies of low-income countries and exporters of non-renewable resources will be undertaken, to provide a better basis for the staff to make careful judgments. A review of the adequacy for surveillance of data provision by members to the Fund and an assessment of the experience gained in helping to focus surveillance with the streamlined consultation approach introduced in mid-2006 will provide further insights.

C. Multilateral Surveillance Issues

11. **The Fund is well placed to bring a global perspective to issues of shared interest among the membership.** The Multilateral Consultation on Global Imbalances represents the first use of an innovative approach to addressing systemic challenges. The Consultation provided a forum to strengthen mutual understanding of the issues, to reaffirm support for the IMFC strategy, and for each participant to indicate specific policies consistent with the strategy, which, when implemented, will make a significant contribution toward sustaining global growth while reducing global imbalances. As agreed with the participants in the

Consultation, the implementation of these policy plans will be the subject of regular monitoring by the Fund.

12. **In reviewing the experience with the first multilateral consultation, Directors considered that the MC approach is a valuable instrument for enhancing and deepening Fund multilateral surveillance.**[5] They also observed that it may well be best suited to addressing medium-term macroeconomic or financial problems of systemic or regional importance. The involvement of the Executive Board and the IMFC at the appropriate time was seen as crucial in enabling the Board to exercise its role in the conduct of surveillance, give the process legitimacy, and allow the international community to assess results.

13. **To assist and inform policy makers and outside audiences, greater continuity is being brought to the Fund's multilateral surveillance.** For example, the WEO now joins the GFSR in being updated quarterly, with these updated WEO forecasts and financial stability issues being discussed at a press briefing.

IV. Role of the Fund in Emerging Market Economies

14. **Emerging market economies (EMEs) have shown unprecedented resilience in the face of the recent financial market turbulence.** Several major emerging markets took advantage of the period of benign conditions observed until recently and, with the Fund's engagement, have implemented far-reaching policies to strengthen economic fundamentals, including current account surpluses and lower debt levels. More flexible exchange systems and the ability to issue debt in local currency have reduced two sources of vulnerability evident in previous episodes of financial market strains. EMEs as a group are now a source of strength for the global economy, although continued market turbulence could increase the risks for countries that have relied on short-term capital inflows to finance large current account deficits and rapid domestic credit growth.

15. **Recent Fund work on EMEs has included strengthening the diagnosis of vulnerabilities and addressing the challenges posed by large capital inflows.** Given the key role of capital inflows are associated with both potential benefits and growing vulnerabilities, other work has focused on country experience in managing capital inflows, the role that domestic capital markets can play in reducing their volatility, and the link with income inequality.[6] The strengthening of debt management practices was also discussed by the Board (see Section VII).

16. **To inform staff's positions in individual Article IV consultations, and to strengthen readiness, the staff has stepped up work on monitoring risks.** The

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[5] *IMF Executive Board Discusses Multilateral Consultation on Global Imbalances* (PIN/07/97, 8/7/07).

[6] See the special topic chapters in the *October 2007 WEO* and *September 2007 GFSR*.

methodology for assessing EME risks in the staff's vulnerability exercise (VE) has been updated and was discussed by the Board at an informal seminar. Central to the new approach is the distinction between vulnerabilities and crisis risk, which facilitates the identification of underlying weaknesses in a benign environment when crisis risk is low. The VE methodology is being adapted continuously, in particular in the analysis of financial and corporate sector vulnerabilities, assessments of exchange rate misalignments, and coverage of market information, while the country coverage of the exercise itself is kept under review.

17. **The other focus of the Fund's crisis prevention efforts has been the development of a new liquidity instrument to help market access countries in their own efforts to prevent crises.** The MTS identified the need for the Fund to be able to provide appropriate support to these members, taking into account both the changing circumstances of these countries and the nature of the potential crises that they may face. This argues for an instrument designed to help reduce the likelihood of a crisis by supporting strong policies and by making substantial access to Fund resources available in a single purchase if a crisis did occur. By helping to reduce the risk of crisis, a new instrument could benefit individual members and the financial system as a whole. Following up on earlier discussions, staff and management have consulted widely with members and Executive Directors in recent months and reflected on a design that would make the new instrument useful to EMEs, while providing adequate safeguards to Fund resources. There has been some encouraging support on key elements of a design, including by those members who might use the instrument. However, there is currently no clear interest in utilizing a new instrument, and some potential users, as well as other members, continue to have concerns regarding key features of a new instrument. Further consideration by the Executive Board could take place later when there is a clearer expression of demand for a new instrument among the membership.

18. **Future work will help ensure the Fund's toolkit continues to adapt to the evolving environment.** Such work would include the review of the Fund's access policy and a follow-up on the review of charges and maturities. Other work, including a roundtable of sovereign asset and reserve managers, planned for after the Annual Meetings, a review of experience in debt management reforms by end-2008, and a review of the Fund's lending-into-arrears policy will provide the opportunity to analyze other important issues relevant for emerging market countries.

V. Role of the Fund in Low-Income Countries

19. **The Fund remains committed to supporting low-income members' efforts to attain macroeconomic stability and sustainable, strong growth.** Substantial efforts have been made under the MTS to clarify the Fund's role and responsibilities in helping member countries achieve these objectives, and thus relate more closely to the challenges facing the membership.

A. Refining the Role of the Fund in Low-Income Countries

20. **The Fund's advice on macroeconomic policies in the face of volatile and potentially scaled-up aid inflows has been clarified.** Scaling up development assistance is a central part of the international strategy for meeting the Millennium Development Goals (MDGs).[7] The Board examined best practices for policy design in Fund-supported programs in the context of aid inflows, emphasizing the need to coordinate fiscal, monetary and exchange rate policies. At the same time, it was noted that so far the anticipated scaling up of aid across low-income countries was not widely evident. Directors agreed that baseline aid projections in Fund programs should represent the staff's best estimate, but staff should also be available to assist the authorities in preparing scaling-up scenarios, which should be consistent with maintaining macroeconomic stability and ensuring debt sustainability. In addition, Fund-supported programs should generally support the full spending and absorption of aid, provided that macroeconomic stability is maintained. Wage bill ceilings should be used only in exceptional circumstances. Medium-term fiscal frameworks incorporating a longer-term view of spending plans and potential resource availability are important for macroeconomic policy formulation, and, in the face of volatile aid disbursements, there is merit in smoothing expenditures over time. Strengthening public financial management systems is critical for effective utilization of scaled-up aid, and this should be accompanied by measures, including domestic revenue mobilization, to avoid long-term reliance on aid.

21. **Members' Poverty Reduction Strategies (PRS) provide the framework around which aid is being scaled up, making it essential to be clear about the Fund's role in the PRS process and in its interaction with donors**.[8] In discussing this issue, Directors agreed that staff could play a role in assisting low-income member countries to elaborate alternative macroeconomic scenarios; these include scenarios that could help countries and staff identify the macroeconomic implications of more aid and aid volatility, and adjust policies to absorb additional aid without endangering macroeconomic stability and debt sustainability. Fund staff should engage in exchanges of information and analysis with donors in areas of the Fund's core expertise. A joint Bank-Fund working group is currently reviewing the arrangements for the Joint Staff Advisory Notes associated with Poverty Reduction Strategy Papers, and external consultations are expected to be launched around the time of the Annual Meetings. After the Annual Meetings, the Board will review the Fund's engagement with fragile states and post-conflict countries.

22. **In response to the recommendations of the *IEO Evaluation of the IMF and Aid to Sub-Saharan Africa*, an implementation plan was presented to the Board.**[9] [10] A joint

[7] *IMF Executive Board Discusses Operational Implications of Aid Inflows for IMF Advice and Program Design in Low-Income Countries* (PIN/ 07/83, 7/19/07).

[8] *IMF Executive Board Discusses the Fund's Role in the Poverty Reduction Strategy Process and Its Collaboration with Donors* (PIN/07/130, 10/15/07).

[9] *Independent Evaluation Office Releases Report on The IMF and Aid to Sub-Saharan Africa* (PR/07/01, 3/12/07).

Bank-Fund initiative has been launched to support reforms in sub-Saharan Africa in the areas of financial sector, public financial management, and natural resource management, and a stock-taking is expected in Spring 2008. African Governors and Fund management discussed key issues of relevance to the Fund's work in sub-Saharan Africa at meetings of the newly established African Consultative Group during the Spring Meetings and in August. The Joint Management Action Plan on Bank-Fund Collaboration contributes to clarifying how the Fund and the Bank can work more effectively together, including in low-income countries (see Section VIII).

23. **After the Annual Meetings, the various strands of work on Fund policies in low-income countries will be drawn together into a comprehensive operational framework document.** Experience with the Policy Support Instrument, which has now been used by an additional African member bringing the total to five, will be reviewed in 2008. The 2008 Global Monitoring Report, produced jointly with the Bank, will assess progress toward the MDGs, with a focus on efforts to achieve environmental sustainability.

B. Debt Relief and Debt Sustainability

24. **More members have been able to take advantage of the Heavily Indebted Poor Countries (HIPC) Initiative.** To date, 22 countries have reached their HIPC Initiative completion point, and 24 countries have received debt relief from the Fund under the Multilateral Debt Relief Initiative (MDRI).[11] Since the Spring Meetings, Afghanistan and the Central African Republic have reached the HIPC Initiative decision point, and consequently ten countries are now between the HIPC Initiative decision and completion points.[12] Nevertheless, the delivery of relief from some creditors, in particular some non-Paris Club official bilateral and commercial creditors, remains low. The Fund will continue to encourage official bilateral creditors' participation during Article IV consultations and step up dissemination of information on these creditors' provision of debt relief, including through the publication of a scorecard on the Fund's external website identifying the HIPC Initiative debt relief granted by each bilateral creditor. Bank and Fund staff also conduct an annual survey of litigation against HIPC countries, and will intensify efforts to provide technical support to HIPCs in their negotiation by providing contextual factual notes on HIPC Initiative issues if requested by country authorities. The Board has recently approved financing modalities to facilitate bilateral contributions to finance the cost of the Fund's debt relief for Liberia. These modalities will become effective once adequate assurances have been secured for financing debt relief to Liberia and Liberia has cleared its arrears to the

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[10] *Implementation Plan Following IEO Evaluation of the IMF and Aid to Sub-Saharan Africa* (PIN/07/93, 8/2/07).

[11] Cambodia and Tajikistan are the two non-HIPCs that have received MDRI relief.

[12] *IMF Executive Board Discusses Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)-Status of Implementation and the Financing of the Fund's Concessional Assistance and Debt Relief to Low-Income Member Countries* (PIN/07/122, 10/4/07).

Fund. Modifications to the PRGF-HIPC Trust Instrument may need to be considered by the Board to facilitate arrears clearance, successor Fund financing, and debt relief for Liberia and other HIPCs facing similar circumstances.

25. **The Fund has stepped up efforts to broaden the use of the Debt Sustainability Framework (DSF).** The Fund, together with the Bank, is actively reaching out to lenders, including non-traditional ones, to raise awareness of debt sustainability risks, enhance information sharing, and support efforts, like those of the OECD's export credit group, to foster sustainable lending practices. Dedicated web pages on the Fund's external website have been set up to make more easily accessible information on country-specific debt sustainability analyses and concessionality issues to donors and other creditors. The Fund is also engaged in capacity building with borrowers to help them use the DSF and to design medium-term debt strategies (see Section VII).

C. Doha Round and Aid for Trade

26. **The Fund continues to advocate a prompt and ambitious conclusion to the Doha Round that would benefit all countries.** Such an agreement could play a role in strengthening global growth and stability and improving export prospects of low-income countries, and indeed may reduce income inequality as noted in the October 2007 WEO. Steps toward improving the monitoring and delivery of Aid for Trade continue to be put in place, and the Board recently reviewed a joint Bank-Fund report on progress in this area.[13]

VI. Quota and Voice Issues

27. **On quota and voice reform, important progress has been made toward the comprehensive reform objectives set by Governors in Singapore.** Since the April meeting of the IMFC, the Board has held further discussions that have considered key issues related to the second round of reforms. The Board will also consider, after the Annual Meetings, an amendment to the Articles enabling Executive Directors elected by a large number of members to appoint more than one Alternate Executive Director. The Board will report to the Board of Governors at the 2007 Annual Meetings on progress on these reforms since Singapore.[14]

28. **Separately, the adequacy of Fund resources in the context of the Thirteenth General Review of Quotas** is to be discussed following the Annual Meetings.

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[13] *Aid for Trade—Harnessing Globalization for Economic Development* (to be published on www.imf.org).

[14] *Report of the Executive Board to the Board of Governors—Quota and Voice Reform: Progress Since the 2006 Annual Meetings* (to be published on www.imf.org).

VII. Building Institutions and Capacity

29. **The Fund's technical assistance (TA) and training are critical instruments for helping member countries implement good policies.** Integration of capacity-building assistance into surveillance and Fund-supported programs remains a key priority under the MTS.

30. **The management of TA resources is being further strengthened.** TA is being anchored to priorities identified in surveillance and lending programs. Further reforms and improvements are being explored for the dissemination of TA reports and the costing, monitoring, evaluation, and financing of TA. These and other developments will be addressed in a Board paper that will be discussed after the Annual Meetings.

31. **The training program for member country officials, a part of the Fund's capacity building, is also being reviewed**. Current features of the training program, along with the strategic issues of how to assess its appropriate size and regional distribution and how it should be financed, will be considered by the Board after the Annual Meetings.

32. **New initiatives are underway to build capacity for public debt and fiscal risk management.** A joint Bank-Fund technical working group is developing a methodological framework for public medium-term debt strategies for low-income countries, building on the DSF. [15] The development of the framework will be undertaken in close cooperation with various stakeholders—including other technical assistance providers and donors—after which pilot missions in selected low-income countries will be undertaken. For middle-income countries, technical cooperation efforts include those related to improving debt management systems within the context of a broader asset-liability management framework. A paper will update the Board on staff's recommended approach to the fiscal treatment of public enterprises to ensure fiscal risk is contained without inappropriately constraining public investment.

VIII. Managing an Effective Institution

33. **The Fund needs to be run as efficiently as possible to assist its members in line with its mandate despite tightened budget constraints, and its finances need to be placed on a sound footing.** Main advances in this area include intensified efforts to realize cuts in real spending on the operational budget, progress on the new income model for the Fund, and formulation of an action plan to strengthen Bank-Fund collaboration.

34. **The Fund continues its efforts to pursue cost effectiveness and expenditure restraint.** The Board has approved a medium-term budget for FY2008-FY2010 that calls for real reductions in the Fund's administrative resource envelope in the order of two percent a

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[15] *IMF Executive Board Discusses Strengthening Debt Management Practices: Lessons from Country Experiences and Issues Going Forward* (PIN/07/60, 5/30/07).

year. The medium-term budget incorporates targeted reductions in costs, particularly of support services and from past and current investments in information technology, savings in contractual services and from a first round of offshoring certain information technology services, and, tighter budget constraints on all Fund departments and offices, including from implementing zero-based departmental reviews and MTS-related streamlining initiatives. In addition, the implementation of the recommendations from the Travel Policy Working Group (scheduled to be implemented by May 2008) and the reformed Medical Benefits Plan are expected to generate substantial savings. While a key focus is to continue delivering on the agreed expenditure restraint, a new income model is needed that can finance on a lasting basis the diverse activities the Fund undertakes to fulfill its mandate.

35. **The Board made further progress on the broad objectives and key elements of a new income model to finance the Fund in a sustainable manner.** Building on the report of the Committee of Eminent Persons on the Sustainable Long-Term Financing of the Fund, the Board discussed two papers prepared by staff.[16] The initial formal discussion in July confirmed a broad consensus that the Fund should no longer rely primarily on income from lending to cover its administrative expenses, and that the Committee's key recommendations form a sound basis for developing a new model. In particular, there was support for broadening the Fund's investment mandate, using a portion of the Fund's quota resources for investment, and selling a limited part of the Fund's gold holdings while safeguarding the market from disruption. The follow-up discussion in October helped make further progress on more specific issues, such as the arrangements for the transfer of resources to the Investment Account, and the staff paper also included illustrative and very preliminary text for possible amendments of the Fund's Articles of Agreement to implement the package of proposals, further advancing the discussion toward formal proposals for a new income model. Most Directors endorsed the staff's proposed approaches on the various issues, including the principle that, as a general matter, there should be broad participation by the membership in providing resources to generate income to meet the Fund's administrative expenses. However, further work is needed on these approaches. While recognizing that the Fund is improving its efficiency in order to deliver the MTS within an administrative budget that declines in real terms, many Directors also stressed that parallel approaches to addressing the Fund's income and expenditures will be needed in the period ahead.

36. **Advances have been made in the Fund's human resources policies.** The Employment, Compensation, and Benefits Review introduced changes to the compensation system to ensure that the Fund's total compensation package remains internationally competitive while being cost effective. There has been progress in the development of a local comparator market for A1-A8 salaries. Work is also under way to identify measures to enhance career development in the Fund, thereby helping to ensure that the Fund can continue to recruit, develop, and retain the staff needed to deliver on the MTS. The implementation of the Fund's diversity policy has been strengthened with the establishment

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[16] *Eminent Persons Group Outlines Long-Term Revenue Plan to Finance IMF Activities* (PR/07/18, 1/31/07).

of a Diversity Council chaired by a Deputy Managing Director, adoption by the Board of a Fund Statement on Diversity, and development of a Fund-wide Diversity Strategy.

37. **A *Joint Bank-Fund Management Action Plan* (JMAP) to enhance Bank-Fund collaboration was presented to the Board and is expected to be launched soon after the Annual Meetings.**[17] The JMAP is based in large part on a consideration of the findings of the Malan report on Bank-Fund collaboration and covers the issues that can be decided by the two managements.[18] It also draws on the results of a staff survey, the recommendations from six joint Bank-Fund staff working groups and a joint staff retreat. The actions proposed in the JMAP are designed to improve coordination on country issues, enhance communications between the staffs of the two institutions working on common thematic issues, and improve incentives and support for collaboration on policies, reviews and other institutional issues.

38. **Concrete steps to strengthen the Fund's communication strategy have been endorsed by the Board**.[19] Communication has become increasingly important as a tool for the Fund to strengthen its effectiveness in promoting international economic and financial stability and in helping countries address the challenges of globalization. A key priority is to communicate progress on the reforms being undertaken in the MTS, by building understanding and support for the role of the Fund and its reform agenda, further integrating communications with operations, raising the impact of communication materials, and rebalancing outreach efforts. In this context, new technologies and modern communication practices are being put in place to support the strategy. The effectiveness of communication in languages other than English is being enhanced, as recommended by the Final Report of the Working Group on this subject. Communication efforts are being tailored to targeted audiences, internal communication is being strengthened, and proposed changes are being implemented within a tight budget.

39. **The Advisory Committee on Risk Management prepared the first annual report on risk management, which provided a comprehensive overview and evaluation of the risk management mechanisms currently in place.** The report identified the main strategic, core mission, operational and financial risks facing the Fund and strategies to mitigate these risks, while the accompanying statement by the Managing Director laid out additional steps to address certain key risks. Future work is being directed at enhancing the risk management framework, including the prioritization, classification, and interaction of risk. A further progress report is expected shortly after the Annual Meetings.

40. **The enhanced framework for implementing Board-endorsed IEO recommendations is now fully operational.** As indicated earlier, implementation plans for

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[17] *Enhancing Collaboration— Joint Management Action Plan* (to be published on www.imf.org).

[18] *IMF Managing Director Rodrigo de Rato and World Bank President Paul Wolfowitz Welcome Report on Enhancing IMF-World Bank Cooperation* (PR/07/32, 2/27/07).

[19] *IMF Executive Board Discusses the IMF's Communication Strategy* (PIN/07/74, 6/29/07).

recommendations arising from the IEO evaluations of the *IMF and Aid to Sub-Saharan African* and of the *IMF's Exchange Rate Policy Advice, 1999-2005*, reflecting Board feedback, are now in place. Moreover, monitoring of implementation and progress on Board-endorsed recommendations in all previous evaluations has been addressed in the first periodic monitoring report, expected to be discussed after the Annual Meetings. The IEO's Annual Report was issued in August 2007, and an IEO report on IMF structural conditionality, which assesses how well conditionality has helped to promote medium-term structural reforms in member countries and the impact of the streamlining initiative, is expected to be discussed after the Annual Meetings.[20] The IEO's work program after the Annual Meetings includes: (i) aspects of IMF corporate governance, including the role of the Board; (ii) the IMF's interaction with its member countries; (iii) the IMF's research agenda; and (iv) the IMF's approach to international trade issues.

[20] *Independent Evaluation Office (IEO) of the IMF Issues its 2007 Annual Report* (PR/07/03, 8/22/07).

Box 2. Implementation of the Medium-Term Strategy Since the 2007 Spring Meetings: An Overview of Progress in Key Areas

Objective	Action
Modernizing Surveillance	
• A more global perspective	Adoption of new Decision on Bilateral Surveillance; Report on the First Multilateral Consultation; Statement of Surveillance Priorities
• Effective country surveillance	Financial sector coverage
Role of the Fund in Emerging Market Economies	
• Centrality of financial and capital market issues	Updated methodology for assessing underlying vulnerabilities and exposure to crisis risks in emerging markets
Role of the Fund in Low-Income Countries	
• Aid and the MDGs	Review of the Fund's Role in the PRS Process and Its Collaboration with Donors, Role of the Fund in Managing Aid Inflows, Aid for Trade
• Successful debt relief	Debt Sustainability Framework─follow up and outreach, Board approval of financing modalities to facilitate bilateral contributions to finance the cost of the Fund's debt relief for Liberia
Quota and Voice Issues	
• Pressing forward with the second stage of reform	After the first-round ad hoc quota increases agreed in Singapore, progress toward completing agenda for second round quota increases, increase in basic votes and additional steps to enhance the voice and participation of low-income countries
Building Institutions and Capacity	
• TA and training as integrated complements to surveillance and Fund lending	Anchoring the allocation of TA resources in surveillance and Fund program priorities
• Enhance TA governance	Progress toward reforms and improvements on TA costing, monitoring/evaluation, dissemination, and financing
Managing an Effective Institution	
• Income	Advances toward a proposal of a new income model for the Fund
• Budget and real expenditure reductions	Approval of medium-term budget for FY2008-2010
• Bank-Fund collaboration	Joint Management Action Plan
• Communication	Fund Communication Strategy

Table 1. Participation in Transparency, FSAP, and Standards and Codes Initiatives 1/ 2/

(As of September 30, 2007)

	(1) Africa	(2) Developing Asia	(3) Central and Eastern Europe	(4) CIS and Mongolia	(5) Western Hemisphere	(6) Middle East	(7) Advanced Economies	(8) Total IMF Members
Number of Members	51	29	18	13	32	14	28	185
Initiatives								
SDDS Subscriber 3/								
Number of subscribers	3	5	12	7	10	1	26	64
GDDS Participant 4/								
Number of members	41	14	3	4	20	7	0	89
PIN Published								
Number of members 5/	50	28	17	12	31	14	28	180
Percentage	98%	97%	94%	92%	97%	100%	100%	97%
Article IV Staff Report Published								
Number of members 5/	49	23	17	12	28	10	28	167
Percentage	96%	79%	94%	92%	88%	71%	100%	90%
FSAPs Completed								
Number of members	25	5	17	9	25	10	25	116
Percentage	49%	17%	94%	69%	78%	71%	89%	63%
FSAP Updates Completed								
Number of members	6	0	4	4	5	2	3	24
Percentage	12%	0%	22%	31%	16%	14%	11%	13%
ROSC Modules Completed								
Number of members 6/	34	15	18	11	24	10	28	140
Percentage	67%	52%	100%	85%	75%	71%	100%	76%
ROSC Modules Completed								
Number of modules 7/	150	65	169	79	143	52	185	843
Percentage of total modules	18%	8%	20%	9%	17%	6%	22%	100%
ROSC Modules Published								
Number of members	30	15	17	11	23	9	28	133
Percentage	59%	52%	94%	85%	72%	64%	100%	72%
ROSC Modules Published								
Number of modules 7/	102	43	151	54	85	25	174	634
Percentage of completed modules	68%	66%	89%	68%	59%	48%	94%	75%

Sources: IMF; and World Bank staff estimates.

1/ This table does not include territories, special administrative regions (SARs), and monetary unions except for SDDS, GDDS and ROSCs. SDDS subscribers include Hong Kong SAR, GDDS participants include West Bank and Gaza, and ROSC figures include 18 completed and published modules for Hong Kong SAR, Kosovo, the euro area, the ECCB, and CEMAC.
2/ The regional groupings are based on the composition of World Economic Outlook (WEO) groups.
3/ The SDDS was established in 1996 to guide countries that have, or might seek, access to international capital markets in the dissemination of economic and financial data to the public. The table includes subscribers in full observance only.
4/ The GDDS was established in 1997 to encourage members to improve data quality, provide a framework for evaluating needs for data improvement and setting priorities in this respect, and guide members in the dissemination to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics.
5/ The number of members that have consented to the publication of at least one such document.
6/ The number of members for which at least one ROSC module has been completed. ROSC modules not derived from an FSAP are considered completed once they have been circulated to Directors, and in the case of Bank-led modules, sent in their final form to the authorities. ROSC modules derived from an FSAP are considered completed when the FSSA has been discussed by the Executive Board.
7/ Shows the total number of completed modules. A member can have more than one full assessment for the same standard. The table includes 18 completed and published modules for Hong Kong SAR, Kosovo, the euro area, the ECCB, and CEMAC.

Table 2. FSAP Participation

(as of September 30, 2007)

FSAPs Completed 1/		FSAPs Under Way 4/	Future Participation Confirmed
Albania	Kyrgyz Republic	Argentina	Angola
Algeria	Latvia	Botswana	Burkina Faso 6/
Antigua and Barbuda 3/	Lebanon 2/	Cote d'Ivoire	Burundi
Armenia	Lithuania	Fiji	Cape Verde
Australia	Luxembourg	Haiti	Central African Republic
Austria	Macedonia, FYR	Malawi	Cyprus
Azerbaijan	Madagascar	Mongolia	Djibouti
Bahrain	Malta	Montenegro	Equatorial Guinea
Bangladesh	Mauritius	Qatar	Guinea
Barbados	Mauritania	Tajikistan	Mali 6/
Belarus	Mexico	Thailand	Niger 6/
Belgium	Moldova		San Marino
Bolivia	Morocco		Syrian Arab Republic
Bosnia and Herzegovina	Mozambique		United States 7/
Brazil	Namibia		WAEMU
Bulgaria	Netherlands		
Cameroon 2/	New Zealand		
Canada 2/	Nicaragua		
CEMAC 5/	Nigeria		
Chile	Norway		
Colombia 2/	Oman		
Costa Rica	Pakistan		
Croatia	Paraguay		
Czech Republic	Peru		
Denmark	Philippines		
Dominica 3/	Poland		
Dominican Republic	Portugal		
ECCU	Romania		
Ecuador	Russia		
Egypt	Rwanda		
El Salvador 2/	Saudi Arabia		
Estonia 2/	Senegal		
Finland	Serbia		
France	Sierra Leone		
Gabon	Singapore		
Georgia	Slovak Republic		
Germany	Slovenia		
Ghana	South Africa 2/		
Greece	Spain		
Grenada 3/	Sri Lanka		
Guatemala	St. Kitts and Nevis 3/		
Guyana	St. Lucia 3/		
Honduras	St. Vincent and the Grenadines 3/		
Hong Kong SAR	Sudan		
Hungary 2/	Sweden		
Iceland	Switzerland		
India 2/	Tanzania		
Iran 2/	Tunisia		
Ireland 2/	Trinidad and Tobago		
Israel	Turkey		
Italy	Uganda		
Jamaica	Ukraine		
Japan	United Arab Emirates		
Jordan	United Kingdom		
Kazakhstan 2/	Uruguay		
Kenya	Yemen		
Korea	Zambia		
Kuwait			

Sources: IMF; and World Bank staff estimates.

1/ Defined as cases where the FSSA has been discussed by the Fund's Executive Board.
2/ The initial assessment was a part of the pilot program.
3/ Part of the ECCU.
4/ Completion has been postponed for Argentina (FY01; interrupted by the financial crisis). Cote d'Ivoire (FY02; uncompleted for security reasons).
5/ Comprises Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon. The regional FSAP has been discussed by the Board; only the country modules remain to be completed.
6/ Part of WAEMU; will be assessed following the WAEMU FSAP.
7/Although a written request has not yet been received, the US has indicated its commitment to participate in an FSAP in the near future.

Table 3. Overview of Country Participation in FSAP Updates

(As of September 30, 2007)

Completed 1/	Under Way	Future Participation Confirmed
Armenia	Algeria	Austria
Colombia	Cameroon	Barbados
El Salvador	Canada	Belarus
Georgia	Egypt	Bulgaria
Ghana	Honduras	Costa Rica
Guatemala	Latvia	Croatia
Hungary (1st update)	Sri Lanka	Dominican Republic
Hungary (2nd update)	Ukraine	Estonia
Iceland		Iran, Islamic Republic of
Ireland		Jordan
Kazakhstan		Kazakhstan
Kyrgyz Republic		Lithuania
Mauritius		Macedonia
Lebanon		Moldova
Mexico		Morocco
Peru		Mozambique
Poland		Pakistan
Senegal		Romania
Slovak Republic		Russia
Slovenia		South Africa
South Africa		
Switzerland		
Tunisia		
Uganda		
United Arab Emirates		

1/ Defined as when the Fund board has discussed the FSSA.

Table 4. HIPC Initiative and MDRI: Committed and/or Delivered Assistance 1/

(In millions of U.S. dollars; as of September 30, 2007)

	Decision Point Date	Completion Point Date	Assistance under the HIPC Initiative		Assistance delivered under MDRI 2/	Total HIPC and MDRI Assistance
			In NPV terms as of the Decision Point 3/ 4/	In nominal terms	In nominal terms	In nominal terms
	(1)	(2)	(3)	(4)	(5)	(6)=(4)+(5)
22 Post-Completion-Point HIPCs			**…**	**45,254**	**41,750**	**87,004**
Benin	Jul-00	Mar-03	262	460	1,098	1,558
Bolivia 5/	Feb-00	Jun-01	1,330	2,060	2,801	4,861
Burkina Faso 5/ 6/	Jul-00	Apr-02	553	930	1,161	2,091
Cameroon	Oct-00	Apr-06	1,267	4,917	1,266	6,183
Ethiopia 6/	Nov-01	Apr-04	1,935	3,275	3,208	6,483
Ghana	Feb-02	Jul-04	2,187	3,500	3,801	7,301
Guyana 5/	Nov-00	Dec-03	591	1,354	705	2,059
Honduras	Jun-00	Apr-05	556	1,000	2,703	3,703
Madagascar	Dec-00	Oct-04	836	1,900	2,339	4,239
Malawi 6/	Dec-00	Aug-06	939	1,600	1,526	3,126
Mali 5/	Sep-00	Mar-03	539	895	1,914	2,809
Mauritania	Feb-00	Jun-02	622	1,100	855	1,955
Mozambique 5/	Apr-00	Sep-01	2,143	4,300	1,990	6,290
Nicaragua	Dec-00	Jan-04	3,308	4,500	1,895	6,395
Niger 6/	Dec-00	Apr-04	644	1,190	1,026	2,216
Rwanda 6/	Dec-00	Apr-05	651	1,316	486	1,801
São Tomé and Príncipe 6/	Dec-00	Mar-07	117	263	59	322
Senegal	Jun-00	Apr-04	488	850	2,408	3,258
Sierra Leone	Mar-02	Dec-06	675	994	644	1,638
Tanzania	Apr-00	Nov-01	2,026	3,000	3,743	6,743
Uganda 5/	Feb-00	May-00	1,027	1,950	3,422	5,372
Zambia	Dec-00	Apr-05	2,499	3,900	2,699	6,599
10 Interim HIPCs			**…**	**18,982**	**…**	**18,982**
Afghanistan	Jul-07	...	571	1,272	...	1,272
Burundi	Aug-05	...	826	1,465	...	1,465
Central African Republic	Sep-07	...	583	823	...	823
Chad	May-01	...	170	260	...	260
Congo, Dem. Rep. of the	Jul-03	...	6,311	10,389	...	10,389
Congo, Rep. of	Mar-06	...	1,679	2,881	...	2,881
Gambia, The	Dec-00	...	67	90	...	90
Guinea	Dec-00	...	545	800	...	800
Guinea-Bissau	Dec-00	...	416	790	...	790
Haiti	Nov-06	...	140	213	...	213
2 Non-HIPCs 7/					**182**	**182**
Cambodia	...	...	...	...	82	82
Tajikistan	...	...	...	...	100	100
Total debt relief committed			**…**	**64,236**	**41,932**	**106,168**

Sources: HIPC documents; and World Bank and IMF staff estimates.

1/ Committed debt relief under the assumption of full participation of creditors.
2/ Nominal MDRI costs include principal and interest foregone for all multilaterals participating in the Initiative, except the IMF, which only include principal. The estimated costs for the IMF reflect the stock of debt eligible for MDRI relief, which is the debt outstanding (principal only) as of end-2004 and that has not been repaid by the member and is not covered by HIPC assistance.
3/ Topping-up assistance and assistance provided under the original HIPC Initiative are expressed in NPV-terms as of the time of the enhanced HIPC Decision Point.
4/ No totals are shown because the amounts are in different NPV terms (according to the date of the decision point).
5/ Also reached completion point under the original HIPC Initiative. The assistance includes original debt relief.
6/ Assistance includes topping up at the completion point.
7/ IMF MDRI debt relief to Cambodia and Tajikistan.

Table 5. IMF Implementation of the HIPC Initiative and the MDRI

(In millions of SDRs, unless otherwise indicated; as of September 30, 2007)

Member	HIPC Initiative Assistance				MDRI Debt Relief 1/	Total HIPC and MDRI debt relief delivered
	Amount Committed		Amount Disbursed into HIPC Umbrella Account 2/ (A)		Total Delivered 3/ (B)	(A+B)
Completion point countries (22)	**1,556.7**		**1,668.4**		**2,169.0**	**3,837.4**
Benin	18.4		20.1		34.1	54.2
Bolivia	62.4	4/	65.5		154.8	220.3
Burkina Faso	44.0	4/	46.0		57.1	103.0
Cameroon	28.6		33.7		149.2	182.8
Ethiopia	45.1		46.7		79.6	126.3
Ghana	90.1		94.3		220.0	314.3
Guyana	56.6	4/	59.6		31.6	91.2
Honduras	22.7		26.4		98.2	124.6
Madagascar	14.7		16.4		128.5	144.9
Malawi	33.4		37.2		14.5	51.7
Mali	45.5	4/	49.3		62.4	111.7
Mauritania	34.8		38.4		30.2	68.7
Mozambique	106.9	4/	108.0		83.0	191.0
Nicaragua	63.5		71.2		91.8	162.9
Niger	31.2		34.0		59.8	93.8
Rwanda	46.8		50.6		20.2	70.7
São Tomé and Príncipe	0.8		--	5/	1.0	1.0
Senegal	33.8		38.4		94.8	133.2
Sierra Leone	100.0		106.6		76.8	183.3
Tanzania	89.0		96.4		207.0	303.4
Uganda	119.6	4/	121.7		75.8	197.5
Zambia	468.8		508.3		398.5	906.7
Decision point countries (10)	**322.1**		**18.3**		--	**18.3**
Afghanistan	--		--		--	--
Burundi	19.3		0.2		--	0.2
Central African Republic 6/	17.3		--		--	--
Chad	14.3		8.6		--	8.6
Congo, Dem. Rep. of	228.3		3.4		--	3.4
Congo, Rep. of 6/	5.6		--		--	--
Gambia, The	1.8		0.4		--	0.4
Guinea	24.2		5.2		--	5.2
Guinea-Bissau	9.2		0.5		--	0.5
Haiti	2.1		0.0		--	0.0
Decision point countries under the Original HIPC Initiative (1)						
Côte d'Ivoire	16.7	4/ 7/	--		--	--
Non-HIPCs (2)					**126.1**	**126.1**
Cambodia	--		--		56.8	56.8
Tajikistan	--		--		69.3	69.3
Total	**1,895.5**		**1,686.7**		**2,295.1**	**3,981.8**

Source: IMF Finance Department.

1/ Excludes remaining HIPC Initiative assistance delivered.

2/ Includes interest on amounts committed under the Enhanced HIPC Initiative.

3/ Assistance was delivered in January 2006 except for to Mauritania, which received MDRI assistance in June 2006, and the countries which reached their respective completion points thereafter, which are: Cameroon (April 2006), Malawi (September 2006), Sierra Leone (December 2006), and São Tomé and Príncipe (March 2007).

4/ Includes commitment under the Original HIPC Initiative.

5/ Additional HIPC assistance of SDR 0.824 million to be disbursed to São Tomé and Príncipe subject to receipt of satisfactory financing assurances from other creditors.

6/ No interim relief has been provided by the IMF as the necessary financing assurances from external creditors are not yet in place.

7/ Côte d'Ivoire reached its decision point under the Original HIPC Initiative in 1998; but did not reach its completion point under the Original HIPC Initiative, nor has it reached the decision point under the Enhanced HIPC Initiative.

Table 6. Access Under Fund Arrangements by Year of Approval, 1997–2007 1/

(In percent of quota, unless otherwise indicated; as of September 30, 2007) 2/

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 September
Number of arrangements approved											
All arrangements	21	21	20	23	21	20	21	13	14	12	4
Non-exceptional arrangements	18	19	19	22	20	18	19	13	12	12	4
Commitments (on approval)											
In percent of total quota	20	17	6	6	7	18	7	1	4	0.2	0.1
In billions of SDRs	29	24	14	12	15	39	15	2	9	0.5	0.3
GRA resources											
Average annual access 3/											
SBA											
Non-exceptional 4/	36	45	45	46	33	39	55	21	44	29	15
of which: Precautionary	27	42	25	40	30	30	55	17	33	29	15
Exceptional and SRF	329	200	100	…	320	510	159	…	157	…	...
EFF											
Non-exceptional	28	48	40	12	…	46	12	…	…	6	…
of which: Precautionary	…	45	21	…	…	…	…	…	…	…	...
Exceptional and SRF	…	144	…	60	…	…	…	…	…	…	...
Range of average annual access 5/											
SBA											
Non-exceptional 4/	24 - 69	21 - 81	20 - 85	18 - 85	16 - 51	19 - 97	25 - 100	7 - 42	25 - 86	29	13- 17
Exceptional and SRF	163 - 646	200	100	…	320	456 - 564	141 - 176	…	83 - 230	…	...
EFF											
Non-exceptional	20 - 45	45 - 55	21 - 84	12	…	46	12	…	…	6	…
Exceptional and SRF	…	144	…	60	…	…	…	…	…	…	...
Projected use of Fund credit and loans outstanding at start of arrangement											
SBA	47	41	84	52	47	228	110	47	262	…	23
EFF	78	217	94	224	…	68	53	…	…	…	…
Projected use of Fund credit and loans outstanding at end of arrangement											
SBA	365	116	133	103	113	313	184	64	203	65	147
EFF	189	317	181	237	…	163	118	…	…	18	…
Concessional resources											
Average annual access 3/											
ESAF/PRGF	35	35	24	22	25	21	16	16	9	16	9
Range of average annual access 5/											
ESAF/PRGF	25 - 50	27 - 53	14 - 40	5 - 33	17 - 42	2 - 36	3 - 31	3 - 30	3 - 18	3 - 30	3 - 15
Projected use of Fund credit and loans outstanding at start of arrangement											
ESAF/PRGF	96	94	103	78	98	74	71	84	102	52	17
Projected use of Fund credit and loans outstanding at end of arrangement											
ESAF/PRGF	183	169	134	122	123	109	90	85	86	87	43

Sources: IMF Executive Board documents; and information provided by PDR.

1/ Reflects amounts and duration at the time arrangements were approved; excludes potential access under external contingency mechanisms and other augmentations and reductions.

2/ Access expressed in terms of quota: Ninth General Review of Quotas through January 1999; 11th General Review of Quotas through January 2003; and 12th Review of Quotas thereafter.

3/ Average annual access refers to total access divided by length of arrangement (in years), except where otherwise specified.

4/ Including first credit tranche and precautionary arrangements.

5/ Maximum and minimum value of average annual access

Table 7. Current Financial Arrangements (GRA) 1/

(In millions of SDRs, as of September 30, 2007)

Member	Date of Approval	Date of Expiration	Amount Agreed	Undrawn Balance	IMF Credit Outstanding
Stand-by Arrangements					
Dominican Republic	1/31/2005	1/30/2008	438	77	359
Gabon	5/7/2007	5/6/2010	77	77	21
Iraq	12/23/2005	12/28/2007	475	475	297
Macedonia, FYR	8/31/2005	8/30/2008	52	41	0
Paraguay	5/31/2006	8/31/2008	65	65	0
Peru	1/26/2007	2/28/2009	172	172	0
Turkey	5/11/2005	5/10/2008	6,662	2,248	4,989
7 Arrangements			7,941	3,157	5,666
Extended Arrangements					
Albania	2/1/2006	1/31/2009	9	4	5
Total 8 SBA and EFF			7,950	3,160	5,671

Source: IMF, Finance Department. Also available at www.imf.org/external/fin.htm, which are updated on a weekly basis.

1/ Figures may not add due to rounding.

Table 8. Current Financial Arrangements (PRGF) 1/

(In millions of SDRs; as of September 30, 2007)

Member	Effective Date	Expiration Date	Amount Agreed	Undrawn Balance	Total Credit	
					Outstanding	As percent of Quota
Poverty Reduction and Growth Facility						
Afghanistan	6/26/06	6/25/09	81	45	36	22
Albania	2/1/06	1/31/09	9	4	54	112
Armenia	5/25/05	5/24/08	23	7	102	111
Benin	8/5/05	8/4/08	6	4	3	4
Burkina Faso	4/23/07	4/22/10	6	6	24	39
Burundi	1/23/04	1/22/08	69	7	62	81
Cameroon	10/24/05	10/23/08	19	8	11	6
Central African Rep.	12/22/06	12/21/09	36	19	28	51
Chad	2/16/05	2/15/08	25	21	38	67
Congo, Rep. of	12/6/04	6/5/08	55	31	24	28
Gambia, The	2/21/07	2/20/10	14	10	14	44
Grenada	4/17/06	4/16/09	11	9	2	13
Haiti	11/20/06	11/19/09	74	38	36	44
Kenya	11/21/03	11/20/07	150	38	135	50
Kyrgyz Republic	3/15/05	3/14/08	9	3	96	108
Madagascar	7/21/06	7/20/09	55	39	27	22
Malawi	8/5/05	8/4/08	38	16	20	28
Mali	6/23/04	10/31/07	9	1	7	7
Mauritania	12/18/06	12/17/09	16	10	6	10
Moldova	5/5/06	5/4/09	111	46	87	71
Nepal	11/19/03	11/18/07	50	11	39	55
Niger	1/31/05	1/30/08	26	2	24	37
Rwanda	6/12/06	6/11/09	8	5	5	6
Sao Tome	8/1/05	7/31/08	3	1	2	34
Sierra Leone	5/10/06	5/9/09	31	22	23	22
25 Arrangements			934	400	904	
Exogenous Shocks Facility						
None			--	--	--	
Total			934	400	904	

Source: IMF Finance Department. Also available at www.imf.org/external/fin.htm

1/ -- indicates zero value

Table 9. IMF's Financial Resources and Liquidity Position, 2002–07 1/

(In billions of SDRs unless otherwise indicated; as of September 30, 2007)

							Sep 2007	
		2002	2003	2004	2005	2006	SDRs	US$
I.	Total resources	218.1	219.1	220.6	221.1	224.2	224.7	350
	Member' currencies	210.3	211.3	213.1	213.4	209.0	209.9	327
	SDR holdings	1.2	1.1	0.8	1.1	2.7	2.4	4
	Gold holdings	5.9	5.9	5.9	5.9	5.9	5.9	9
	Other assets	0.8	0.9	0.8	0.8	6.6	6.6	10
	Available under GAB/NAB activation	...	...	...	...	...	...	...
II.	Less: Nonusable resources	117.9	118.4	109.2	75.9	63.0	60.1	94
	Of which: Credit outstanding	63.6	65.0	55.4	28.4	9.8	6.9	11
III.	Equals: Usable resources	100.2	100.7	111.3	145.2	161.2	164.6	256
IV.	Less: Undrawn balances under GRA arrangements	31.9	22.8	19.4	12.7	3.9	3.2	5
V.	Equals: Uncommitted usable resources	68.3	77.9	91.9	132.5	157.3	161.5	251
VI.	Plus: Repurchases one-year forward	19.0	9.2	12.9	8.0	2.8	0.6	1
VII.	Less: Prudential balance	32.6	32.8	32.8	34.1	34.8	34.9	54
VIII.	Equals: One-year forward commitment capacity (FCC) 2/	54.7	54.2	71.9	106.4	125.4	127.2	198
	Memorandum items:							
	Potential GAB/NAB borrowing	34.0	34.0	34.0	34.0	34.0	34.0	53
	Quotas of members that finance IMF transactions	163.1	164.1	164.1	170.5	173.8	174.4	271
	Liquid liabilities	66.1	66.5	55.7	28.6	17.5	14.4	22
	US$ per SDR	1.35952	1.48597	1.55301	1.42927	1.50440	1.55665	

Source: IMF Finance Department; also available at www.imf.org/external/fin.htm, which are updated on a monthly basis.

1/ Figures may not add due to rounding.
2/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less a prudential balance intended to safeguard the liquidity of creditors' claims and to take account of any erosion of the Fund's resources base.

Table 10. Total Fund Credit and Loans Outstanding to the Ten Largest Borrowers

(In millions of SDRs unless otherwise indicated; as of September 30, 2007)

Member	Non-concessional (GRA)	Concessional (PRGF, SAF, and Trust Fund Loans)	Total		
			Outstanding Amount	Quota	In percent of quota
Turkey	4,989.2	0.0	4,989.2	1,191.3	418.8
Pakistan	23.7	898.3	922.0	1,033.7	89.2
Congo, Dem.Rep.of	0.0	553.5	553.5	533.0	103.8
Dominican Republic	358.6	0.0	358.6	218.9	163.8
Ukraine	320.4	0.0	320.4	1,372.0	23.4
Bangladesh	0.0	316.7	316.7	533.3	59.4
Sudan 1/	250.7	59.2	309.9	169.7	182.6
Iraq	297.1	0.0	297.1	1,188.4	25.0
Liberia 1/	199.9	22.9	222.8	71.3	312.5
Georgia	0.0	162.8	162.8	150.3	108.3
Total	6,439.6	2,013.5	8,453.0	6,461.9	130.8
Memorandum Item:					
All Fund members	6,909.7	3,871.6	10,781.3	…	…

1/ Member is in arrears on its total outstanding Fund credit (which excludes any overdue interest and other charges).

Table 11. Medium-Term Income and Expenditures (FY 2007–10)

	Actual	Projected 1/		
	FY07	FY08	FY09	FY10
		(In SDR millions)		
A. Income sources 2/	**526**	**511**	**490**	**421**
Margin for the rate of charge (108 basis points)	134	82	78	53
Surcharges	92	56	55	21
Service charge (50 basis points on purchases) 3/	16	16	--	--
Investment income	180	283	286	288
SCA-1 and other 4/	104	74	71	59
B. Administrative and capital expenses	**637**	**657**	**667**	**686**
Administrative budget 5/	599	615	625	640
Capital budget not capitalized	16	19	18	23
Depreciation expense	22	23	24	23
C. Income shortfall (A-B) 6/	**-111**	**-146**	**-177**	**-265**
		(In US$ millions)		
D. Income sources 2/	**784**	**767**	**735**	**632**
Margin for the rate of charge (108 basis points)	200	123	117	79
Surcharges	137	84	82	32
Service charge (50 basis points on purchases) 3/	24	24	--	--
Investment income	268	425	429	432
SCA-1 and other 4/	155	111	107	89
E. Administrative and capital expenses	**949**	**985**	**1,000**	**1,030**
Administrative budget 5/	892	922	938	959
Capital budget not capitalized	24	28	26	36
Depreciation expense	33	35	36	35
F. Income shortfall (D-E) 6/	**-165**	**-218**	**-265**	**-398**
Memorandum Items:				
Fund credit outstanding (average in SDR billions)	12.3	7.6	7.2	4.9
SDR interest rate path (in percent)	4	4.2	4.3	4.3
US$/SDR exchange rate	1.49	1.5	1.5	1.5

1/ See Review of the Fund's Income Position for FY07 and FY08 (http://www.imf.org/external/np/pp/2007/eng/040907.pdf).

2/ Income is presented after deducting all remuneration expenses.

3/ Includes commitment fees, which are refundable (if purchases are made) so income is only generated if phased purchases are not made.

4/ Resources in the SCA-1 broadly approximate the Fund's GRA interest-free resources. Over the medium term, income shortfalls will reduce the Fund's interest-free resources as the shortfalls will be financed by enlarged remunerated reserve tranche positions.

5/ In FY 2007, actual administrative expenses of US$ 897 million are net of the reimbursement of expenses from the MDRI-I Trust and the SDR Department totalling US$ 5 million.

6/ The income shortfall represents the projected annual operating deficits before accounting for the IAS 19 timing difference (an asset of SDR 28 million in FY 2007). Under current policies, the operating deficits are offset against the Fund's reserves.