Finances, Organization, and Accountability
The financial year that ended on April 30, 2009, was one of major reform that transformed the IMF into a leaner and refocused institution. In the area of budget, organization, and accountability, efforts now turn to implementing mechanisms to safeguard the Fund’s finances and other operations. New practices to enhance the efficiency of the Fund are being put in place, and accountability and transparency within the Fund are also being strengthened.

In parallel with the dynamic and forward-looking quota and voice reform package approved at the end of FY2008, the Board of Governors approved a proposed amendment to the IMF’s Articles of Agreement that will expand the Fund’s investment authority. Once the proposed amendment enters into force, and the Executive Board has taken a decision to conduct limited gold sales, a critical element will have been established for sustainable funding of the IMF.

Following the establishment of a joint steering committee to coordinate the different strands of the follow-up efforts regarding the IEO’s findings on the Fund’s corporate governance and the Committee of Eminent Persons to assess the Fund’s current framework for decision making (see Chapter 4), reforms continued during FY2009 that were aimed at ensuring the Fund’s ability to meet its members’ needs despite tightened budget constraints. These included streamlining the IMF’s human resources infrastructure for greater flexibility and effectiveness, as well as refining mechanisms for improving accountability and risk management. New tools were also implemented to modernize the Fund to ensure that it adapts to the changing needs of its members.
FINANCIAL OPERATIONS AND POLICIES

Income, charges, remuneration, and burden sharing
Since its inception, the IMF has relied heavily on its lending activities to fund its administrative expenses. During FY2008, the Executive Board agreed on a substantial reform of the Fund’s income model that was approved by the Board of Governors in May 2008. The reform will allow the IMF to diversify its sources of income.

Key elements of the new income model include creation of an endowment funded with the profits from a limited sale of the Fund’s gold holdings, a broadening of the IMF’s investment authority to enhance returns on investments, and resumption of the practice of reimbursing the Fund for the cost of administering the PRGF-ESF Trust. Broadening the investment authority will require an amendment of the Fund’s Articles of Agreement, and such an amendment is currently open for acceptance by IMF members; gold sales could start after the Fund obtains the requisite approval from its member countries and the Executive Board approves such sales. The implementation of the gold sale program would be phased over an extended period so as to avoid causing disruptions in the functioning and pricing of the gold market.

Currently, in accordance with the income model in place since the IMF was established, the main sources of income are from lending activities and investments. The basic rate of charge (the interest rate) on IMF lending is determined at the beginning of each financial year as the SDR interest rate plus a margin expressed in basis points.46 For FY2010, the Board agreed to keep the margin for the rate of charge unchanged from FY2009, at 100 basis points. Consistent with the new income model, the decision was guided by the principles that the margin should cover the Fund’s intermediation costs and buildup of reserves and that it should be broadly aligned with long-term credit market conditions. Under this approach, a key objective is to keep the rate of charge stable and predictable.

The March 2009 reform of the IMF’s lending toolkit included a simplification of the Fund’s policy on charges and maturities (see “Putting in Place the Instruments to Meet Challenges Posed by the Crisis” in Chapter 3). In the new charges and maturities framework, level-based surcharges of 200 basis points are levied on the use of large amounts of credit (above 300 percent of a member’s quota) in the credit tranches46 and under Extended Arrangements. The IMF also levies time-based surcharges of 100 basis points on the use of large amounts of credit (same threshold as above) that remains outstanding for more than 36 months.

In addition to periodic charges and surcharges, the IMF also levies service charges, commitment fees, and special charges. A service charge of 0.5 percent is levied on each loan disbursement from the General Resources Account. A refundable commitment fee on GRA arrangements, such as Stand-By Arrangements, as well as Extended and Flexible Credit Line Arrangements, is charged on the amounts that may be drawn under the arrangement during each 12-month period. The commitment fee structure, which was also revised as part of the lending toolkit reform, levies charges of 15 basis points on amounts committed up to 200 percent of quota, 30 basis points on amounts committed in excess of 200 percent and up to 1,000 percent of quota, and 60 basis points on amounts committed over 1,000 percent of quota. The fees are refunded when credit is used in proportion to the drawings made. The IMF also levies special charges on overdue principal payments and on charges that are overdue by less than six months.

On the expenditure side, the IMF pays interest (remuneration) to members on their creditor positions in the GRA (known as reserve tranche positions). The rate of remuneration is currently set at the SDR interest rate. The Articles of Agreement provide that the rate of remuneration shall be not more than the SDR interest rate, nor less than 80 percent of that rate.

The rates of charge and remuneration are adjusted under a burden-sharing mechanism established in the mid-1980s that distributes the cost of overdue financial obligations equally between creditor and debtor members. The loss of income due to interest charges that are overdue (unpaid) for six months or more is recovered by increasing the rate of charge and reducing the rate of remuneration. The amounts thus collected are refunded when the overdue charges are settled. In FY2009, the adjustments to the basic rate of charge and the rate of remuneration for unpaid interest charges fell to historic lows of 1 basis point in the fourth quarter, reflecting the clearance of arrears by Liberia last year and the subsequent rise in IMF credit outstanding owing to the global crisis affecting members. The adjusted rates of charge and remuneration averaged 2.84 percent and 1.74 percent, respectively, in FY2009.
The burden-sharing mechanism also contemplates adjusting the basic rates of charge and remuneration to generate resources to protect the IMF against the risk of loss resulting from principal arrears; those resources are kept in the Special Contingent Account. Effective November 2006, however, the Board decided to suspend contributions to the SCA-1, and no contributions have been made since then. A partial distribution of SDR 525 million from the SCA-1 was made to contributing members, in March 2008, to facilitate the financing of IMF debt relief for Liberia through bilateral contributions.

The IMF’s overall net income in FY2009 was SDR 154 million, reflecting increased lending activities and the strong performance of the IMF’s investments, which were buoyed by investor flight to quality in light of the deterioration of global economic conditions. The returns net of fees on the IMF’s investments were 6.29 percent, outperforming the benchmark one- to three-year index by 67 basis points. Overall, the investments benefited from declining government bond yields, spurred by turmoil in financial markets, resulting in capital gains of more than 46 percent of total investment income.

Arrears to the IMF

Overdue financial obligations to the IMF (including trusts administered by the Fund) fell slightly, from SDR 1,341 million at end-April 2008 to SDR 1,326 million at end-April 2009 (Table 5.1). Sudan accounted for about 75 percent of remaining arrears, and Somalia and Zimbabwe for 18 and 7 percent, respectively. At end-April 2009, all arrears to the IMF were protracted (standing for more than six months)—one-third consisted of overdue principal, the remaining two-thirds of overdue charges and interest. More than four-fifths represented arrears to the GRA, and the remainder to the SDR Department, the Trust Fund, and the PRGF-ESF Trust. Zimbabwe is the only country with protracted arrears to the PRGF-ESF Trust.

Under the IMF’s strengthened cooperative strategy on arrears, remedial measures are applied to address protracted arrears. As of the end of the financial year, as a result of their arrears to the IMF, Somalia, Sudan, and Zimbabwe remained ineligible to use GRA resources. Zimbabwe also continued to be excluded from the list of PRGF-eligible countries, and a declaration of non-cooperation, suspension of technical assistance, and suspension of voting and related rights remained in place.

Administrative and capital budgets

In April 2009, consistent with the net administrative budget envelopes previously agreed in the context of the FY2009-11 medium-term administrative budget (MTB), the Executive Board authorized total net administrative expenditures of US$880 million as well as a limit on gross administrative expenditures of US$1,053 million for FY2010, and an appropriation of US$45 million for capital projects beginning in FY2010, as part of a US$137 million capital plan for FY2010-12. The Board took note of the indicative net budget envelopes of US$895 million and US$932 million for FY2011 and FY2012, respectively, which constitute the Fund’s FY2010-12 MTB. The Board also authorized the carry-forward of up to 6 percent of unused resources from the FY2009 administrative budget—US$52 million—to FY2010.

The FY2009-11 MTB set in motion an ambitious program of reforms aimed at reshaping the IMF so that it could deliver more-focused outputs cost-effectively. Accordingly, the Fund’s new structural steady state—the indicative budget for FY2011—entailed a leaner, more modern institution, with expenditures permanently cut by US$100 million in real terms, and staff positions reduced by 380, relative to the previous FY2008-10 MTB. This effort was an integral part of a plan to close the Fund’s income-expenditure gap and to underpin a sustainable budgetary framework supported by the Fund’s new income model. The exercise was designed to be front-loaded, with the bulk of the adjustment implemented in FY2009, in tandem with a refocused work program that allowed real increases in resources to priority activities, such as multilateral and regional surveillance, through reallocation from other areas of work.

During FY2009, the Fund’s operations and budget management were shaped by two dominant forces: the implementation of the major restructuring and refocusing exercise that was initiated in 2008, and the activities related to the global financial crisis.

The staff reduction that had been planned to take place over the FY2009-11 period was largely accomplished in FY2009, as the number of staff volunteering to separate from the Fund was greater than targeted. Since the number of staff remaining on the administrative budget was actually lower than the new structural steady-state target, there was some room to recruit permanent staff to return to the structural levels. This hiring also provided the opportunity to update the mix of staff skills to support better the upcoming work agenda. These voluntary separations, as well as other costs associated with the institutional restructuring, were financed through a one-time multiyear appropriation of US$185 million authorized by the Executive Board in FY2008, including US$8 million for Offices of Executive Directors. Other factors in the FY2009 underrun have been declines in travel, building, and other administrative expenditures, reflecting improved procurement policies and practices and other efficiency gains (Table 5.2). In connection with this, the Board authorized the carry-forward of up to 6 percent on unused resources from the FY2009 net administrative budget, or US$52 million, to FY2010, as noted previously.

As described in Chapter 3, the IMF responded vigorously to the global financial crisis by shifting its work program during the course of the year to meet the renewed demand for Fund services. Nonetheless, because the crisis broke out in the midst of the Fund’s restructuring exercise during FY2009, the burden of the heavy workload was borne chiefly by the staff as uncompensated overtime and, to a lesser extent, by volunteers who delayed their departure dates.

Against this backdrop, the budget strategy for FY2010-12 is to finance the Fund’s crisis response fully while delivering
### TABLE 5.1

**Arrears to the IMF of countries with obligations overdue by six months or more and by type**  
(In millions of SDRs; as of April 30, 2009)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>General Department (Including Structural Adjustment Facility)</th>
<th>SDR Department</th>
<th>Trust Fund</th>
<th>PRGF-ESF</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOMALIA</td>
<td>242.7</td>
<td>220.5</td>
<td>14.1</td>
<td>8.1</td>
<td>0.0</td>
</tr>
<tr>
<td>SUDAN</td>
<td>994.4</td>
<td>914.1</td>
<td>0.0</td>
<td>80.3</td>
<td>0.0</td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>89.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>89.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,326.4</td>
<td>1,134.6</td>
<td>14.1</td>
<td>88.4</td>
<td>89.2</td>
</tr>
</tbody>
</table>

*Source: IMF Finance Department.*

### TABLE 5.2

**Net administrative budget by major expenditure category, FY2008-FY2012**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel</strong></td>
<td>723</td>
<td>714</td>
<td>697</td>
<td>659</td>
<td>710</td>
<td>731</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>101</td>
<td>94</td>
<td>98</td>
<td>77</td>
<td>89</td>
<td>94</td>
</tr>
<tr>
<td><strong>Building and Other Expenditures</strong></td>
<td>161</td>
<td>158</td>
<td>163</td>
<td>150</td>
<td>168</td>
<td>170</td>
</tr>
<tr>
<td><strong>Annual Meetings</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td><strong>Contingency Reserves</strong></td>
<td>10</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td><strong>Gross Expenditure</strong></td>
<td>994</td>
<td>967</td>
<td>967</td>
<td>885</td>
<td>979</td>
<td>1,004</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>-71</td>
<td>-76</td>
<td>-99</td>
<td>-72</td>
<td>-100</td>
<td>-109</td>
</tr>
<tr>
<td><strong>Net Administrative Budget</strong></td>
<td>922</td>
<td>891</td>
<td>868</td>
<td>813</td>
<td>880</td>
<td>895</td>
</tr>
</tbody>
</table>

**(In millions of U.S. dollars)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel</strong></td>
<td>723</td>
<td>714</td>
<td>670</td>
<td>633</td>
<td>656</td>
<td>650</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>101</td>
<td>94</td>
<td>94</td>
<td>74</td>
<td>82</td>
<td>83</td>
</tr>
<tr>
<td><strong>Building and Other Expenditures</strong></td>
<td>161</td>
<td>158</td>
<td>157</td>
<td>144</td>
<td>156</td>
<td>151</td>
</tr>
<tr>
<td><strong>Annual Meetings</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td><strong>Contingency Reserves</strong></td>
<td>10</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td><strong>Gross Expenditure</strong></td>
<td>994</td>
<td>967</td>
<td>930</td>
<td>851</td>
<td>906</td>
<td>892</td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
<td>-71</td>
<td>-76</td>
<td>-95</td>
<td>-95</td>
<td>-92</td>
<td>-97</td>
</tr>
<tr>
<td><strong>Net Administrative Budget</strong></td>
<td>922</td>
<td>891</td>
<td>835</td>
<td>756</td>
<td>813</td>
<td>796</td>
</tr>
</tbody>
</table>

**(In millions of FY2008 dollars)**

*Note: Column entries may not sum exactly to totals due to rounding.*

*Source: IMF Office of Budget and Planning.*
the US$100 million in real savings already agreed. To make this possible, the budget strategy calls for significant reallocation of resources within and across departments and across financial years. The latter has been facilitated by the administrative underrun in FY2009, which has been carried forward in part to FY2010. All told, the bulk of the total costs of crisis-related outputs is expected to be met through internal reallocation, and the remainder is expected to be met through temporary resources, namely, the carry-forward from the FY2009 budget and the commitment of about one-half of the budgeted contingency reserves in each of FY2010 and FY2011.

Within this framework, the FY2010-12 MTB has been set in an unusually uncertain environment. The global crisis added a new set of demands for country programs and enhanced surveillance that could increase if the crisis expands, deepens, or is more protracted than expected. Moreover, the Fund could also be assigned added responsibilities under a new global financial architecture, which would impact the institution’s work program. These additional tasks would add considerably to the burden on existing staff related to the crisis. Nonetheless, during the FY2010-12 period, surveillance and capacity building are expected to remain the largest key output areas, but their shares will be lower than previously planned, as resources for country programs and global monitoring will be increased to accommodate crisis demands (Table 5.3). In particular, resources devoted to global monitoring will provide for additional work on the global financial architecture and governance reforms. Multilateral surveillance is also expected to receive a higher share of resources to finance work on the joint Fund–Financial Stability Board early warning exercise and to improve analysis of macrofinancial linkages and their implications for oversight and regulatory frameworks.

The US$45 million capital budget approved by the Executive Board for FY2010 is designed to finance investment projects supporting the Fund’s response to the global crisis with significantly reduced staffing and to deliver “efficiency dividends.” In this vein, and relative to the previous three-year plan, the FY2010-12 capital plan entails a phased reallocation of capital resources from improvement/maintenance of building facilities to information technology.

Especially in the circumstances previously described, the envisaged budget strategy will require skilled budget management and timely execution. Accordingly, the IMF’s budget planning and implementation capabilities are being further strengthened, including through the introduction of activity-based costing, among other things, to help support resource allocation decisions and identify lower-priority outputs, activities, and work processes that may be streamlined or discontinued to free resources in case of emerging pressures.

**Total consolidated administrative expenses of the IMF over the medium term**

The most comprehensive measure of IMF administrative expenses—total consolidated administrative expenses—is derived by aggregating expenditures under the net administrative budget and expenses related to depreciation, capital budget items expensed, and restructuring (Table 5.4). As discussed above, the administrative budget is approved by the Executive Board each year, and fell in FY2009, reflecting the downsizing exercise. In future years, administrative expenditures will be tightly constrained by the assumption of zero real growth. Depreciation and capital charges (capital budget items expensed) are much smaller and are linked to past and expected capital projects. As noted above, the capital program will increasingly focus on information technologies needed for efficient administrative operations, as well as facilities management. Finally, in FY2008 the Executive Board approved a restructuring budget of up to a total of US$185 million for a multiyear period (FY2008-FY2011) to finance the costs of institutional restructuring. Restructuring expenses have thus far been broadly in line with budgetary assumptions, and the appropriation is expected to be exhausted by FY2011.

**Administrative expenses reported in the financial statements**

For financial reporting purposes, the IMF’s administrative expenses are accounted for in accordance with International Financial Reporting Standards (IFRS) rather than on a cash basis of budgetary outlays. IFRS require, among other things, accounting on an accrual basis and the measurement and amortization of employee benefit costs based on actuarial valuations. As detailed in Table 5.5, the difference between the net administrative budget outturn of US$813 million and IFRS-based administrative expenses of SDR 532 million, equivalent to US$819 million, reflects (1) partly offsetting timing differences in the recognition and reporting of capital expenditures and pension and postemployment benefits costs and (2) costs related to immediately expensed capital expenditures and the restructuring budget, which are managed separately from the administrative budget. Timing differences arise from (1) immediate budgetary recognition of the IMF’s contributions for pension and postemployment benefits during the financial year compared with actuarially determined expenses under IFRS and (2) capital expenditure that is amortized (depreciated) over the estimated useful life of the capital assets in accordance with IFRS. Other amounts included in the administrative expenses reported in the financial statements are (1) current-year capital expenditure, to the extent that it is expensed immediately in accordance with IFRS, and (2) restructuring costs that are recognized as they are incurred.

**HUMAN RESOURCES POLICIES AND ORGANIZATION**

The IMF’s human resources activities in FY2009 took place against a backdrop of institutional challenges and a sharply changing global environment. A restructuring exercise, initiated in 2008 and unprecedented in the history of the Fund, resulted in a large volume of voluntary separations that dominated FY2009. Midway during the downsizing, the onset of the financial crisis added an unexpected twist to the strategic direction...
### TABLE 5.3
Budgeted expenditure shares by key output area and constituent output, FY2008-FY2012 (in percent share of total gross expenditures, excluding reserves)

<table>
<thead>
<tr>
<th>Output Area</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GLOBAL MONITORING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oversight of the international monetary system</td>
<td>5.2</td>
<td>5.0</td>
<td>5.5</td>
<td>5.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Multilateral surveillance</td>
<td>4.5</td>
<td>5.0</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Cross-country statistical information and methodologies</td>
<td>3.0</td>
<td>3.5</td>
<td>3.5</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>General research</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>General outreach</td>
<td>4.3</td>
<td>4.2</td>
<td>3.2</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>COUNTRY-SPECIFIC AND REGIONAL MONITORING</td>
<td>35.2</td>
<td>36.7</td>
<td>34.4</td>
<td>34.3</td>
<td>34.7</td>
</tr>
<tr>
<td>Bilateral surveillance</td>
<td>28.3</td>
<td>28.5</td>
<td>26.3</td>
<td>26.3</td>
<td>26.5</td>
</tr>
<tr>
<td>Regional surveillance</td>
<td>3.1</td>
<td>3.4</td>
<td>3.9</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Standards and codes and financial sector assessments</td>
<td>3.8</td>
<td>4.8</td>
<td>4.3</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>COUNTRY PROGRAMS AND FINANCIAL SUPPORT</td>
<td>23.2</td>
<td>20.7</td>
<td>23.1</td>
<td>22.9</td>
<td>21.3</td>
</tr>
<tr>
<td>Generally available facilities</td>
<td>10.0</td>
<td>8.3</td>
<td>11.4</td>
<td>11.3</td>
<td>9.8</td>
</tr>
<tr>
<td>Facilities specific to low-income countries</td>
<td>13.2</td>
<td>12.3</td>
<td>11.7</td>
<td>11.6</td>
<td>11.4</td>
</tr>
<tr>
<td>CAPACITY BUILDING</td>
<td>24.2</td>
<td>24.6</td>
<td>24.1</td>
<td>24.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>17.0</td>
<td>17.5</td>
<td>17.5</td>
<td>18.2</td>
<td>19.3</td>
</tr>
<tr>
<td>External training</td>
<td>7.2</td>
<td>7.2</td>
<td>6.6</td>
<td>6.3</td>
<td>6.3</td>
</tr>
<tr>
<td>TOTAL, excluding contingency reserves</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Memorandum Items:
- Support: 31.5, 30.2, 28.9, 29.2, 29.4

Note: FY2008 figures refer to budgeted amounts. Support and governance expenditures are allocated across outputs. Column entries may not sum exactly to totals due to rounding.

Source: IMF Office of Budget and Planning.

---

### TABLE 5.4
Total consolidated administrative expenses of the IMF, FY2008-FY2012
(In millions of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDGET</td>
<td>OUTTURN</td>
<td>BUDGET</td>
<td>OUTTURN</td>
<td>BUDGET</td>
</tr>
<tr>
<td>TOTAL CONSOLIDATED ADMINISTRATIVE EXPENSES</td>
<td>1,162</td>
<td>1,053</td>
<td>921</td>
<td>916</td>
</tr>
<tr>
<td>Net Administrative Budget</td>
<td>922</td>
<td>891</td>
<td>868</td>
<td>813</td>
</tr>
<tr>
<td>Capital Budget Items Expensed</td>
<td>20</td>
<td>16</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>35</td>
<td>35</td>
<td>36</td>
<td>38</td>
</tr>
<tr>
<td>Restructuring Expenses</td>
<td>185</td>
<td>111</td>
<td>n.a.</td>
<td>49</td>
</tr>
</tbody>
</table>

Note: Column entries may not sum exactly to totals due to rounding. Figures are shown on an accrual basis and do not reflect actuarially determined pension and postemployment benefit costs (see Table 5.5). n.a. = not applicable.

\(^1\) Does not include spending of actual or estimated carry-forward of previously approved administrative appropriations.

Source: IMF Office of Budget and Planning.
of human resource priorities, and an intense recruitment drive was initiated in the latter part of FY2009.

**Outcome of the FY2009 downsizing**

The goal of the restructuring exercise was to support the reforms undertaken by the IMF to refocus its activities and improve its cost-effectiveness, through a primary reliance on voluntary separations. Although the targeted reduction in positions was 380, in order to allow scope for the Fund to refocus and retool its skills, 490 volunteers were accepted for separation based on the human resources framework and budget parameters developed for the exercise (see Web Table 5.1).

The implementation of the restructuring exercise rested on the principles of fairness (to those separating from the institution as well as to those who remained) and transparency. To facilitate the process, a number of human resources policies were adapted to facilitate voluntary separations, such as amendments to the Staff Retirement Plan to allow early retirement at age 50 with a reduced pension, a temporary extension of medical coverage for staff separating and not eligible for retiree medical coverage, and outplacement assistance. Downsizing goals were achieved, and the IMF met its objective of largely avoiding mandatory separations. To allow time to take stock of the desired retooling of the Fund’s skill base and provide mobility opportunities for remaining staff, a hiring freeze was instituted for the first half of 2008. With the onset of the global financial crisis along with the high volume of separations, following the downsizing the Fund faced a major recruitment challenge. After an initial phase of internal redeployment, a significant external recruitment drive was launched to close the staffing gap quickly and prepare for additional vacancies that arose. A concerted effort led by Human Resources resulted in more than 100 economist hires by the close of FY2009, and recruitment activity continued into FY2010. A scalable framework and a sufficient pipeline are in place should the crisis prove to be more prolonged than expected.

**Staff numbers and composition**

The IMF’s staff is appointed by the Managing Director, and its sole responsibility is to the IMF. At April 30, 2009, the IMF had 1,862 professional and managerial staff and 616 staff at other levels. The framework for human resource management in the Fund reflects evolving best practices that are consistent with the mission of the institution and the objective of maintaining the quality and diversity of its staff. The Articles of Agreement state that in recruiting staff, paramount importance is to be placed on securing the highest standards of efficiency and technical competence. In addition, all staff members are expected to observe the highest standards of ethical conduct, consistent with the values of integrity, impartiality, and discretion, as set out in the IMF Code of Conduct and its Rules and Regulations.

**Diversity**

The IMF makes every effort to ensure that staff diversity reflects the institution’s membership, actively seeking candidates from all over the world, and has a Diversity Council to help further its diversity agenda. The recruitment effort in FY2009 and

---

**Note:** Column entries may not sum exactly to totals due to rounding. Conversions are based on the average FY2009 US$/SDR exchange rate of 1.54.

1 Represents costs recognized during FY2009. In accordance with IFRS, certain restructuring costs were recognized prior to actual cash outlays; the FY2008 financial statements included a provision of SDR 68 million, equivalent to US$111 million.
continuing into FY2010 produced some encouraging results on diversity among economist recruits. Progress was made on diversity in FY2009, particularly with respect to gender balance and the recruitment of nationals from underrepresented regions, and the Fund’s Economist Program continued to be an excellent source of diversity for the institution. Although the IMF continues to seek macroeconomists, experienced economists with broader profiles and financial sector specialists were also hired to complement the skills mix. In the Economist Program, nearly half the recruits had financial backgrounds, and a little more than half were graduates of non-U.S.-based universities and were nationals from underrepresented regions.

Management salary structure
Of the IMF’s 185 member countries, 143 were represented on the staff at the end of April 2009. A list of the IMF’s senior officers and the IMF’s organization chart can be found on pages 76 and 77, respectively, of this Report. Web Tables 5.2–5.5 show the distribution of the IMF’s staff by nationality, gender, and developing and industrial countries and the staff salary structure. As of July 1, 2008, the salary structure for management was as follows:

**Managing Director:** US$441,980
**First Deputy Managing Director:** US$384,330
**Deputy Managing Director(s):** US$366,030

The remuneration of Executive Directors was US$230,790; the remuneration of Alternate Executive Directors was US$199,650.

Modernizing the human resources function
In recognition that the IMF needs a flexible employment framework to meet its evolving business needs, the goal of human resources is to think strategically about the policies that can support the organization and have a coherent framework for managing talent in the organization. In addition to attracting the best talent, developing talented and effective leaders is also necessary for sustained success. To this end, the Fund introduced a more systematic approach to succession management and leadership development toward the end of FY2009. This approach signaled the institution’s strong commitment to strengthening people management at all levels.

Modernizing the human resources function was also a key pillar of the IMF’s human resources strategy during the year. The human capital management project, designed to streamline processes, gathered momentum in early FY2009. Progress was made toward providing a modern infrastructure through simplification of human resources processes and policies and automation of key functions across the Fund. Much of the initial work was in the area of recruitment, tools for which were strengthened and new automation implemented during FY2009. Key examples include an automated applicant tracking system, an employee referral program, and an onboarding system to support newly arrived recruits. The automation and streamlining of the human resources infrastructure is an ongoing investment in improving effectiveness, and additional reforms began in FY2009 in several other human resource areas and continued into FY2010.
ACCOUNTABILITY

IMF activities are carried out in accordance with the Fund's governance structure (see Box 5.1), which establishes a clear chain of accountability to the countries that make up the Fund's membership.

Accountability framework for Fund management

In FY2009, the Board discussed the IEO's evaluation of governance of the IMF, “Aspects of IMF Corporate Governance—Including the Role of the Executive Board.” A working group of Executive Directors was formed to prepare a work plan on how best to organize the follow-up on the IEO analysis; their plan included a range of recommendations to strengthen the IMF’s governance framework (see Chapter 4).

The IEO evaluation also identified an accountability gap as the Fund's main governance weakness with respect to management. To address this gap, the Board introduced an accountability framework for management. Work is under way in this regard and will provide clear proposals on performance criteria, on the processes to be used, and on how assessments are to be translated into incentives. The criteria are expected to focus on management's conduct of the ordinary business of the Fund and on the quality and outcomes of the Fund's activities. To be effective, the evaluation of management may need to be delegated to a Board committee that would canvass the views of all Executive Directors and inform the whole Board of its assessment once completed. The assessment may need to be confidential to avoid undermining the credibility of the Managing Director vis-à-vis the membership at large.

Integrity Hotline

IMF staff are expected to perform their duties in accordance with the Fund's rules and policies, as guided by the Staff Code of Conduct, and to contribute to the good governance and reputation of the Fund by upholding its core standards of probity, integrity, and independence. In June 2008, the Fund established a confidential Integrity Hotline, operated by an independent third party, for handling allegations of staff misconduct, whether on an anonymous or identified basis, and whether from internal or external sources. All matters reported through the hotline are followed up by the Fund's Ethics Office. To protect confidentiality, no attempt is made to discover the identity of those who use the hotline if they choose to remain anonymous.

Following Board approval of proposals by the Dean of the Executive Board and the Ethics Committee, respectively, the IMF Managing Director and Executive Directors are now also covered by the Integrity Hotline, with the Dean and the Ethics Committee, respectively, rather than the Ethics Officer, taking on the responsibility for following up on allegations. (The Deputy Managing Directors are members of the IMF staff and are covered by the procedures discussed above for staff members.)

Investigations into all allegations of staff misconduct are carried out in accordance with General Administrative Order No. 33 and the Fund's Procedural Guidelines for Conducting Inquiries into Allegations of Misconduct. The Fund requires corroborating evidence before any disciplinary action in connection with a complaint about staff misconduct can be taken. Because the IMF recognizes whistle-blowing as one important way to ensure good governance, employees and others who report instances of suspected misconduct are fully protected against any form of retaliation.

2008 Regular Election of Executive Directors

The 2008 Regular Election of IMF Executive Directors was conducted between September 5 and October 13, 2008, under the rules set out in Board of Governors Resolution 63-5. The resulting Executive Board, composed of 5 appointed and 19 elected Executive Directors, was established on November 1. A list of the current members of the Executive Board, along with their voting power, can be found in Appendix IV.

In preparation for the 2008 election, the Executive Board amended the convention regarding the calculation of members' creditor positions in the Fund for purposes of Article XII, Section 3(c) to reflect more appropriately the Fund's current financial structure. Article XII, Section 3(c) allows each of the two members with the largest creditor positions in the Fund over the preceding two years to appoint an Executive Director, if they are not already entitled to do so by virtue of being among the five members with the largest quotas. As the United States and Japan had the largest creditor positions in the Fund for the relevant period and both are among the five members with the largest quotas, the issue of Executive Directors appointed on the basis of Article XII, Section 3(c) did not arise for the 2008 election.

Independent Evaluation Office

The Independent Evaluation Office was established in 2001 to conduct independent and objective evaluations of IMF policies and activities with a view to increasing the Fund's transparency and accountability and strengthening its learning culture. The IEO's primary means of action is the conduct of independent studies of issues relevant to the Fund's mandate: systematic evaluations of the IMF's general policies; comparative cross-country analyses of the IMF's economic policy advice, both in the context of surveillance and in the context of IMF-supported programs; and evaluations of completed country operations. Under its terms of reference, the IEO is fully independent of Fund management and operates at arm's length from the Fund's Executive Board, to which it reports its findings.

An IEO evaluation of the IMF's involvement in international trade policy issues was finalized at the end of FY2009 and was taken up by the Board in June 2009. In addition to the IEO’s assessment of IMF governance, the Board early in the year (see Chapter 4), the Board also discussed in FY2009 the management implementation plan in response to the IEO's January 2008 evaluation of structural conditionality in IMF-supported programs (see Chapter 3). Management implementation plans are part of a framework established following an external evaluation of the IEO that seeks to ensure
The IMF is accountable to the governments of its member countries. At the apex of its organizational structure is its Board of Governors, which consists of one Governor and one Alternate from each of the IMF’s 185 member countries. The Governor is appointed by the member country and is usually the minister of finance or the central bank governor. All powers of the IMF are vested in the Board of Governors, which may delegate to the Executive Board all except certain reserved powers. The Board of Governors normally meets once a year at the IMF–World Bank Annual Meetings.

The IMF’s day-to-day work is conducted at its Washington, D.C., headquarters by the Executive Board, composed of 24 Executive Directors, appointed or elected by member countries or by groups of countries, and the Managing Director, who is appointed by the Executive Board and serves as its Chair. The Managing Director is also head of the IMF staff. The Executive Board usually meets several times each week.

There are two committees of Governors that represent the whole membership—the International Monetary and Financial Committee and the Development Committee. The IMFC is an advisory body currently composed of 24 IMF Governors (or their alternates) who represent the same countries or constituencies (groups of countries) as the 24 Executive Directors. The IMFC advises, and reports to, the Board of Governors on matters relating to the latter’s functions in supervising the management and adaptation of the international monetary and financial system. It normally meets twice a year at the time of the Spring and Annual Meetings.

The Development Committee (formally, the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries) is a joint World Bank–IMF body composed of 24 World Bank or IMF governors or their alternates. It advises the IMF and World Bank Boards of Governors on critical development issues and on the financial resources required to promote economic development in developing countries. Like the IMFC, it also normally meets twice a year.

1 As of April 30, 2009. As of June 2009, the IMF had 186 member countries.
a more systematic follow-up and monitoring of the implementation of Board-endorsed IEO recommendations.

In January 2009, the Board discussed the IEO’s December 2008 Periodic Monitoring Report (PMR) on the status of implementation plans in response to Board-endorsed IEO recommendations. The PMR was established in 2007 to ensure that Board-endorsed IEO recommendations were implemented and monitored more systematically. The PMR broadly concluded that IEO recommendations have a significant impact on Fund operations. Executive Directors supported the conclusions of the report and approved recommended performance benchmarks for the next PMR.58

As of the end of FY2009, the IEO was engaged in the preparation of two evaluation reports: “The IMF’s Interactions with Its Member Countries” and “The Research Agenda of the IMF.” It had also announced the launch of an evaluation to assess the Fund’s role in the run-up to the global financial and economic crisis, including questions related to the effectiveness of surveillance, particularly of advanced economies; identification of systemic risks, including the vulnerability exercise; multilateral consultations; and treatment of capital account/financial sector advice in some emerging markets. Following the announcement by current IEO Director Thomas Bernes that he would leave his position at the end of July 2009, the proposal and selection of future topics was awaiting the arrival of the next director.

Additional information on the activities and reports of the IEO can be found on its website (www.ieo-imf.org).

**IMF audit mechanisms**

The IMF’s audit mechanisms comprise an external audit firm, an internal audit function, and an independent External Audit Committee (EAC) that oversees the work of both.

The external audit firm, which is selected by the Executive Board in consultation with the EAC and appointed by the Managing Director, is responsible for performing the annual external audit and expressing an opinion on the financial statements of the IMF, accounts administered under Article V, Section 2(b), and the Staff Retirement Plan. The external audit firm is normally appointed for five years. Deloitte & Touche LLP is currently the IMF’s external audit firm. It issued an unqualified audit opinion on the IMF’s financial statements for the financial year ended April 30, 2009.

The internal audit function is assigned to the Office of Internal Audit and Inspection (OIA), which independently examines the effectiveness of the risk management, control, and governance processes of the IMF. The OIA also serves as the secretariat for the Advisory Committee on Risk Management (ACRM). The OIA conducts about 25 audits and reviews annually, including financial audits, information technology audits, and operational and effectiveness audits. Financial audits examine the adequacy of controls and procedures to safeguard and administer the IMF’s financial assets and accounts. Information technology audits evaluate the adequacy of information technology management and the effectiveness of information security measures. Operational and effectiveness audits focus on work processes and associated controls and the efficiency and effectiveness of operations in meeting the Fund’s overall goals. In line with best practices, the OIA reports to IMF management and to the EAC, thus ensuring its independence. In addition, the OIA briefs the Executive Board annually on its work program and the major findings and recommendations of its audits and reviews.

The EAC has three members, selected by the Executive Board and appointed by the Managing Director. Under the Fund’s By-Laws, the EAC has the general oversight of the annual audit, as further specified in the terms of reference approved by the Executive Board. Members serve three-year terms on a staggered basis and are independent of the Fund. EAC members are nationals of different member countries and must possess the expertise and qualifications required to carry out the oversight of the annual audit. Typically, EAC members have significant experience in public accounting, the public sector, or academia.

The EAC selects one of its members as chair, determines its own procedures, and is independent of the IMF’s management in overseeing the annual audit. The 2009 EAC members were Mr. Steve Anderson, Head of Risk Assessment and Assurance, Reserve Bank of New Zealand; Mr. Thomas O’Neill, Corporate Director and Former Chairman, PricewaterhouseCoopers Consulting; and Mr. Ulrich Graf, Audit Director in charge of federal debt and financial policy for the Supreme Audit Institution of the Federal Republic of Germany. The EAC normally meets in Washington, D.C., three times each year: in January, in June after the completion of the audit, and in July to report to the Executive Board. IMF staff and the external auditors consult with EAC members throughout the year. At the conclusion of the annual audit, the EAC briefs the Executive Board on the results of the audit and transmits the report issued by the external audit firm, through the Managing Director and the Executive Board, for consideration by the Board of Governors.

**Board briefings on control- and audit-related matters**

The Board receives periodic briefings from the IMF’s Finance Department on control- and audit-related matters. This year’s briefing covered, among other things, internal control and financial reporting issues, including the completion of a two-year project to streamline the financial statements of the IMF and the accounts it manages as trustee. The Board is also briefed regularly on OIA’s work program and activities, including major findings of its audits and reviews, and implementation of its recommendations.

**Risk management**

Efforts are ongoing to strengthen risk management at the IMF. The Board was briefed on risk management issues twice in FY2009. In June 2008, the Board was briefed by the ACRM on the transitional risks associated with the Fund’s downsizing and restructuring; and in March 2009, it was briefed, including a full assessment of risks, in the context of the “2009 Report on Risk Management,” which presented assessments of stra-
Executive Directors broadly concurred with the assessment of the main risks and mitigation measures in the report.

In their review of the report, Executive Directors emphasized the importance of remaining vigilant about the Fund’s risk landscape. A number called for more frequent briefings to the Board on the evolving risk situation at the Fund, with some seeing a role for a Board committee. Executive Directors looked forward to a review of the modalities of the Fund’s risk management framework in FY2010. Suggestions were made regarding the possible use of more advanced risk management techniques, including a more dynamic risk assessment, the use of risk indicators, and the identification of concrete measures to address each specific type of risk.

**Transparency**

Openness and clarity about the IMF’s policies and its advice to members contributes to a better understanding of the Fund’s role and operations and increases the Fund’s accountability for its policy advice. The Fund’s transparency policy represents an attempt by the Executive Board to balance the Fund’s responsibility for overseeing the international monetary system against its role as a confidential advisor to its members. The Fund routinely makes information available on a number of topics: surveillance of members, countries’ IMF-supported programs, financial and operational information concerning the Fund, dialogue and consultation with the public on Fund activities, and internal and external evaluations of Fund practices.

As an outgrowth of a 2005 review of IMF transparency, the Executive Board receives annual updates on the status of implementation of the Fund’s transparency policy; these reports are also part of the information the IMF makes public as part of its efforts in the area of transparency. The 2009 report, which provides statistics on a number of measures of IMF transparency through the end of 2008, showed that member countries’ publication performance trended higher in 2008. The publication rate across country staff reports was, at 83 percent, in line with earlier years, and publication rates increased for documents in several categories, including requests for use of Fund resources (96 percent, versus 85 percent in 2007) and Article IV Public Information Notices (97 versus 93 percent). Under the Fund’s “voluntary but presumed” publication policy for Board documents pertaining to the Fund’s member countries, publication requires the member’s explicit consent but is normally expected to take place within 30 days following the Board discussion.

The Board is slated to review the Fund’s transparency policy in FY2010.

**External relations and outreach**

As the IMF has become more transparent and has sought to become more accountable, not only to the governments that own it, but also to the broader public, its external relations have played a greater role in those efforts. Scrutiny by the media, the academic community, and civil society organizations, among other external constituencies, helps promote accountability on the part of the IMF to its member countries and the general public for the work it conducts. It also helps ensure that the IMF listens to the people whom its work affects.

IMF management and senior staff communicate with the media on a daily basis. Additionally, a biweekly press briefing is held at IMF headquarters, during which a spokesperson takes live questions from journalists. Journalists who cannot be present are invited to submit their questions via the online media briefing center.

IMF staff at all levels frequently meet with members of the academic community to exchange ideas and receive new input. The IMF also has an active outreach program involving CSOs, and an IMF and Civil Society webpage was launched in December 2007.

In September 2008, Executive Directors met with civil society organizations in an informal seminar to hear their views on IMF reform based on worldwide consultations. Civil society organizations and other external constituencies are being encouraged to take an active part in the ongoing efforts to reform IMF governance, via the Fund’s “Fourth Pillar” effort (see “Engaging Civil Society and Other External Constituencies” in Chapter 4).