4 REFORMING AND STRENGTHENING THE IMF TO BETTER SUPPORT MEMBER COUNTRIES

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The IMF has been undergoing a fundamental governance overhaul, with the aim of ensuring that the institution better reflects the changing realities of the global economy, including the heightened importance of emerging markets, while protecting the voting shares of the poorest members. The latest round of reforms, approved in FY2011, builds on those initiated in 2008 and, combined with the earlier steps, will increase by nine percentage points the quota shares of dynamic emerging market and developing countries as a group. The new allocation of quota shares will result in the biggest-ever shift of influence within the institution in favor of emerging market and developing countries.

Additionally, reforms are under way in the composition and operation of the IMF's Executive Board. They include a proposed amendment to the IMF's Articles of Agreement for moving to an all-elected Board, eliminating the category of appointed Executive Directors,[40] and reducing the combined Board representation of advanced European members by two chairs. There will also be further scope for appointing second Alternate Executive Directors to enhance representation of multi-country constituencies. Together, the quota reforms and changes to the Executive Board will enhance the IMF's credibility and effectiveness.

Other reforms were approved during the year to further strengthen the IMF's crisis prevention role. Options were also considered for enhancing the Fund's response to systemic crises, emphasizing the importance of a strengthened global financial safety net, with the IMF playing a central role within its mandate.

In response to rising demand for technical assistance, the Fund set up new trust funds to support capacity building and continued to strengthen its partnerships with donors and enhance the effectiveness and efficiency of its technical assistance. The crisis also highlighted the lack of timely, accurate information and its potential to hinder the ability of policymakers and market participants to develop effective responses, and efforts continued in FY2011 to address crisis-related and other data issues.

QUOTA, GOVERNANCE, AND MANDATE REFORMS

Quota, voice, and governance

Entry into force of the 2008 quota and voice reforms

In March 2011, the quota and voice reforms approved by the Board of Governors in 2008 entered into force,[41] following ratification of the required amendment to the Fund's Articles of Agreement by 117 member countries, representing more than 85 percent of the Fund's total voting power.[42] The reforms strengthen the representation of dynamic economies in the IMF and enhance the voice and participation of low-income countries. Quota increases for 54 member countries amounting to SDR 20.8 billion (about US$33.7 billion) will become effective, once members consent and quota subscriptions are paid. As of end-April 2011, more than 95 percent of the overall increases under the reform had been paid. Because the amendment establishes a mechanism that keeps constant the ratio of basic votes to total votes, its near tripling of the basic votes (of which each member has an equal number, with additional votes distributed in proportion to each country's quota) increases the influence of low-income countries in the organization. Furthermore, the reforms enable Executive Directors representing a specified number of member countries to appoint a second Alternate Executive Director following the 2012 regular elections of Executive Directors. The Board of Governors' Resolution approving the amendment had set that number as "at least 19," but in the context of the 2010 quota and voice overhaul (see the next subsection), the Board of Governors lowered the number to "7 or more."

2010 quota and governance overhaul

In November 2010, the Executive Board approved further quota and governance reforms beyond those endorsed in 2008, with the completion of the Fourteenth General Review of Quotas and a proposed amendment of the IMF's Articles of Agreement on the reform of the Executive Board.[43] The reform package, once it is ratified by the membership, will double quotas to approximately SDR 476.8 billion (about US$772.9 billion), shift more than 6 percent of quota shares to dynamic emerging market and developing countries and from overrepresented to underrepresented countries, and protect the quota shares and voting power of the poorest members. With this shift, Brazil, the Russian Federation, India, and China (the so-called BRIC countries) will be among the Fund's 10 largest shareholders. In addition, the 2010 reforms will lead to an all-elected Board, advanced European countries committed under the reforms to reducing their combined representation by two chairs, and there will be further scope for appointing second Alternate Executive Directors to enhance representation of multicountry constituencies. A comprehensive review of the formula for determining members' quotas will be completed by January 2013, and completion of the Fifteenth General Review of Quotas will be moved up to January 2014. A comparative table of quota shares before and after implementation of the reforms is available on the IMF's website.[44]

The reform package was subsequently approved by the Board of Governors in December 2010.[45] The proposed quota increases and the amendment must now be accepted by the membership, which in many cases involves parliamentary approval. Members committed to making their best efforts to complete ratification by the 2012 Annual Meetings.

The quota shift under the reforms would exceed the target set in October 2009 by the IMFC of a shift in quota share of at least 5 percent from overrepresented countries to underrepresented countries, while protecting the voting share of the poorest members. The 10 largest members of the Fund would consist of the United States, Japan, the BRIC countries, and the four largest European countries (France, Germany, Italy, and the United Kingdom). The Executive Board endorsed a timeline that calls for the quota increase and realignments and the proposed amendment on Executive Board reform to take effect by the 2012 Annual Meetings.

The reform was the culmination of a number of Board meetings between the Spring Meetings, when the IMFC called for acceleration of quota and governance reforms, and the November announcement of the reform package,[46] as well as inputs from the Independent Evaluation Office, outside experts, and civil society in recent years. Among these numerous Board meetings was a broad discussion on IMF governance reform in July 2010.[47] At that July discussion, Board members' views remained divided on approaching governance and quota reforms as a package. Nevertheless, all Executive Directors underscored the importance of moving to a shared vision of reforms to enhance the Fund's legitimacy and effectiveness.

In their discussion of enhancing ministerial engagement and oversight, Executive Directors agreed that engagement by ministers and governors is essential to the effective discharge of the institution's responsibilities, including promotion of multilateral cooperation and coherence of policies. However, views on the best means of delivering such engagement—whether through reform of the advisory IMFC or a shift to a decision-making entity—continued to differ.

Many Executive Directors remained unconvinced of the need for a new ministerial-level decision-making body. They cautioned against weakening the Board of Governors and the Executive Board or upsetting the current accountability framework, which they viewed as appropriate. Against the background of a proposal to establish such a new decision-making body, many called for further reforms of the IMFC, including its procedures, through shorter term limits for the IMFC Chair, more interactive plenary discussions, and earlier circulation of draft communiqués.

Executive Directors stressed that representation at the Board must respect the principle of voluntary constituency formation. Many Executive Directors viewed a move to an all-elected Board, together with steps to avoid further concentration in voting power, as useful to level the playing field among Executive Directors. However, a number of others argued against changing well-established rules, noting that the existing system provided appropriate limits to the concentration of voting power, critical to an effective Board. Most Executive Directors noted that greater leeway to appoint a second Alternate Executive Director for multicountry constituencies could facilitate a recomposition of the Board.

In the area of management selection and staff diversity, Executive Directors reiterated their commitment to an open and transparent process for selecting management, and many agreed that a political commitment to end the unwritten understandings that govern the selection of management would be necessary. They emphasized that more needed to be done to promote staff diversity—with respect to nationality, gender, and background—particularly at senior levels. They looked forward to keeping abreast of efforts to strengthen results.

Modernizing the Fund's mandate

The global crisis exposed weaknesses in economic oversight—national, regional, and global—prior to the crisis, prompting major institutional innovations to uncover risks and meet large and diverse financing needs. At the October 2009 Annual Meetings, the IMFC called for the Fund to "review its mandate to cover the full range of macroeconomic and financial sector policies that bear on global stability." The mandate work covers three broad areas: surveillance, financing, and the stability of the international monetary system.

Executive Board report to the IMFC

In response to the IMFC's call to review the Fund's mandate, the Executive Board held formal and informal discussions on various aspects of the issue in the first half of FY2011 and delivered a report to the IMFC on progress in this area at the October 2010 Annual Meetings. The Board continued its consideration of the Fund's mandate in the remaining months of FY2011, with an informal briefing on next steps in regard to the Fund's future financing role, a number of discussions in regard to the Fourteenth General Review of Quotas and further discussion of governance reform (see previous section), and a follow-up discussion on modernizing the Fund's surveillance mandate and modalities (see Chapter 3).

Future financing role

In August 2010, the Executive Board approved a set of reforms to further strengthen the IMF's crisis prevention role by refining the Flexible Credit Line and establishing a new Precautionary Credit Line (see "Enhancing the Crisis Prevention Toolkit" in Chapter 3). Executive Directors also considered options for enhancing the Fund's response to systemic crises and underlined the importance of a strengthened global financial safety net, with the IMF playing a central role within its mandate.[48]

Executive Directors concurred with staff assessments that although the experience with the FCL during the global financial crisis had been positive, the line's attractiveness and signaling effects could be further improved by removing the implicit cap on access and lengthening the duration of purchase rights. While reaffirming the FCL's qualification requirements, they stressed the need for continued strict and evenhanded qualification assessments to safeguard the use of IMF resources and send clear signals to markets regarding the strength of members' policies.

Executive Directors welcomed the staff's proposed procedures regarding early Board involvement in assessments of members' need for IMF resources and of the impact of contemplated access on the Fund's liquidity position. They generally agreed that the current upward-sloping commitment fee schedule is adequate for guarding against unduly large precautionary use of Fund resources.

As a dedicated instrument in the credit tranches for sound performers that do not meet FCL qualification standards, it was observed, the PCL could provide positive market signals about members' policies and track records through the qualification assessment. While some concerns remained about certain aspects of the establishment of the PCL—including the proliferation and overlap of instruments, the perceived tiering of the membership, and the assessment process—Executive Directors generally considered that the diverse needs of the membership would be best met by tailoring IMF financing instruments and conditionality to the varying strengths, fundamentals, and policies of members.

Executive Directors called for rigorous and evenhanded assessments of qualification for use of Fund resources, conducted in a confidential manner and only upon request of a member. Although a wide range of views were expressed on the desirable nature and extent of ex post conditionality in the PCL, on balance, Executive Directors agreed that the staff's proposal to focus policy conditionality on reducing remaining vulnerabilities, with use of prior actions and performance criteria where warranted, struck the appropriate balance and was consistent with the IMF's Guidelines on Conditionality.[49]

Executive Directors had an initial discussion of options for strengthening the IMF's response to systemic shocks, including the proposal to establish a Global Stabilization Mechanism. On balance, most Executive Directors were open to further discussion of options and modalities to address systemic events in the context of a simplified mechanism, as a process that is centered on decisions by the Executive Board and that emphasizes close cooperation with relevant institutions, relies on existing IMF instruments and policies, and makes allowance for consensual and simultaneous offers of FCL arrangements to multiple countries. Further interaction with the membership would be critical, it was noted, to forge the broadest possible consensus. Executive Directors also supported further work by the staff to explore enhanced synergies with regional financing arrangements.

MEMBERSHIP, BOARD, AND INSTITUTIONAL ACTIVITIES

Membership

Tuvalu became the IMF's 187th member in June 2010, when it signed the Fund's Articles of Agreement.[50] In April 2011, the IMF

Left IMFC Chairman Tharman Shanmugaratnam addresses the media at a Spring Meetings press conference. **Right** The parliament building sits on the atoll of Funafuti, the capital of Tuvalu, the IMF's 187th member country.

received an application from the authorities of South Sudan for admission to membership, which is currently under consideration according to the IMF's established membership procedures.[51]

Acceptance of Article VIII obligations by the Lao People's Democratic Republic

In July 2010, the government of the Lao People's Democratic Republic, which joined the IMF in 1961, notified the IMF that it had accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement, effective May 28, 2010.[52] In doing so, the country undertook not to impose restrictions on the making of payments and transfers for current international transactions, and not to engage in, or permit any of its fiscal agencies to engage in, any discriminatory currency arrangements or multiple currency practices, except with IMF approval. A total of 167 of the IMF's 187 members have now accepted the obligations under Article VIII (see Appendix Table II.8).

Executive Board

2010 election of Board members

Under current arrangements, the IMF's Executive Board is composed of 24 Executive Directors, 5 of whom are appointed and 19 of whom are elected by member countries or by groups of countries, and the Managing Director, who serves as its Chair. The Articles of Agreement require a regular election of Executive Directors to take place every two years. The 2010 regular election of the IMF Executive Directors was completed and the new Executive Board took office in November 2010, with the term of the Executive Directors running through October 31, 2012.[53] In accordance with the requirement in the Articles, the next regular election of the Executive Board will be held in the fall of 2012. The objective is to hold the 2012 elections under the reform package approved by the Board of Governors in December 2010, under which, as noted previously, the Executive Board will consist solely of elected Executive Directors.

Maximizing Executive Board efficiency and effectiveness

In May 2010, the Working Group on Executive Board Committees assigned top priority to identifying reforms to increase the Board's effectiveness and efficiency. Among the measures taken to handle the continued heavy workload in the aftermath of the global crisis were (1) prioritization of policy and country items in the work program to smooth work flow and minimize clustering of Board meetings before the Spring Meetings and Annual Meetings, (2) improved coordination between the Board, management, and staff in implementing the work program calendar, (3) increased use of lapse-of-time procedures for Article IV consultations and program reviews, and (4) more-focused preparations for Board meetings to provide added room for discussions to concentrate on strategic issues.

IMFC Chairmanship

The IMFC, comprising finance ministers and central bank governors, is the Board of Governors' primary advisory body and deliberates on the principal policy issues facing the IMF. It meets twice a year, in the spring and at the time of the IMF–World Bank Annual Meetings in the fall.

In March 2011, IMFC members selected Tharman Shanmugaratnam, Minister for Finance of Singapore, as Chairman of the Committee, for a term of up to three years.[54] Minister Tharman has been Singapore's Minister for Finance since December 2007, having served earlier as the Minister for Education. Before his entry into politics, he held the post of the Managing Director of the Monetary Authority of Singapore, Singapore's central bank and financial regulator. He brings broad experience, deep knowledge of economic and financial issues, and active engagement with global policymakers to his role as IMFC Chair.

Minister Tharman succeeded Dr. Youssef Boutros-Ghali, Egypt's former Minister of Finance, who resigned the previous month.[55]

Dr. Boutros-Ghali had served as IMFC Chairman since October 2008. The former Managing Director expressed his gratitude to Dr. Boutros-Ghali for his service to the IMF and its membership, noting that under his chairmanship, the IMFC had played an instrumental role in providing advice and guidance to help secure policy coordination for a global recovery from the financial crisis, and to shape the future of the IMF—through the modernization of IMF surveillance, the overhaul of its lending framework, and the quota and governance reform.

Passing of Alternate Governor Moeketsi Senaoana

The IMF community was saddened by the death of Central Bank of Lesotho Governor and IMF Alternate Governor Moeketsi Senaoana in March 2011.[56] A specialist in the fields of macroeconomics and economic development, Dr. Senaoana brought a wealth of experience to his dealings with the Fund. His previous roles included Minister of Finance and Development Planning and Senior Finance and Investment Policy Advisor for the Southern African Development Community. He also taught economics at the National University of Lesotho. Following Dr. Senaoana's passing, the former Managing Director expressed heartfelt condolences to the people of Lesotho and Dr. Senaoana's family, noting that he would be sorely missed.

Annual and Spring Meetings revamp

As part of ongoing efforts to modernize and promote greater engagement among stakeholders, a number of reforms were introduced at the October 2010 Annual Meetings and the April 2011 Spring Meetings. The overall aim was to maximize the potential of the meetings as a premier forum for policymakers and other stakeholders on the most pressing international macroeconomic and financial issues. The number and variety of events were substantially expanded to broaden the impact and appeal of the meetings. A new, more modern logo was designed to give the meetings consistent brand recognition. The meetings' schedule was compressed and anchored around the streamlined plenary session, with the Governors' speeches webcast. Requests for meetings by the G-20, Group of Twenty-Four (G-24), and Commonwealth were accommodated, as well as an enhanced program of seminars and conferences. Increased digital signage and touch screens provided participants with a wide variety of information in real time. An online collaboration network for delegates and staff, "IMFConnect," was launched. The IMF reached out to audiences through the international, regional, and national press, as well as through social media. It established additional media partnerships (BBC, CCTV, CNBC, FT, NDTV) for the seminar program and expanded its fellowship programs to enable journalists and representatives of civil society organizations from emerging and developing economies to cover the meetings.

BUILDING CAPACITY IN MEMBER COUNTRIES

Capacity building, a core function of the IMF, consists of technical assistance (TA) and training designed to strengthen the capacity of recipient countries to implement macroeconomic policy in support of sustained growth.

Technical assistance

At the request of member countries, the IMF provides TA to give more in-depth policy advice on specialized issues and help put in place institutional arrangements for the design and implementation of sound macroeconomic, financial, and structural policies. TA activities are integrated with IMF surveillance and lending and support the IMF's general policy advice. Through in-depth discussion with countries on technical matters, capacity-building activities also help IMF staff stay up to date on emerging risks to the international economy.

The IMF offers TA in its areas of core expertise: fiscal affairs, monetary and capital markets, statistics, and legal frameworks governing economic activities (Figure 4.1). In FY2011, the IMF provided TA to more than 180 of its member countries all over the world (Figure 4.2), with about 60 percent delivered to low- and lower-middle-income countries (Figure 4.3) and a significant increase in TA delivered to upper-middle- and high-income countries as a result of the crisis in Europe. TA to countries with IMF-supported programs continued to increase (Figure 4.4).

Technical assistance initiatives

Responding to the crisis

In FY2011, the IMF's TA focused on helping countries recover from the global financial crisis and its aftermath. Assistance on fiscal issues was deployed in countries hit hard by the global crisis,

Box 4.1

A half-century of Fund service: A. Shakour Shaalan

In January 2011, the Executive Board expressed its appreciation to its Dean, A. Shakour Shaalan, for his five decades of dedicated service to the IMF. An Egyptian national, Mr. Shaalan joined the Fund as an economist in the Research Department in 1961. In 1969, he moved to the Middle Eastern Department, initially as Division Chief and later as Director, managing the department with grace and very strong leadership. In 1992, Mr. Shaalan became Executive Director for Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, the Syrian Arab Republic, and the Republic of Yemen. At the Board's commemoration of Mr. Shaalan's service to the Fund, former Managing Director Dominique Strauss-Kahn described him as "an incredible ambassador of the Fund to its members, an advocate of the staff, and a very cooperative partner to management."

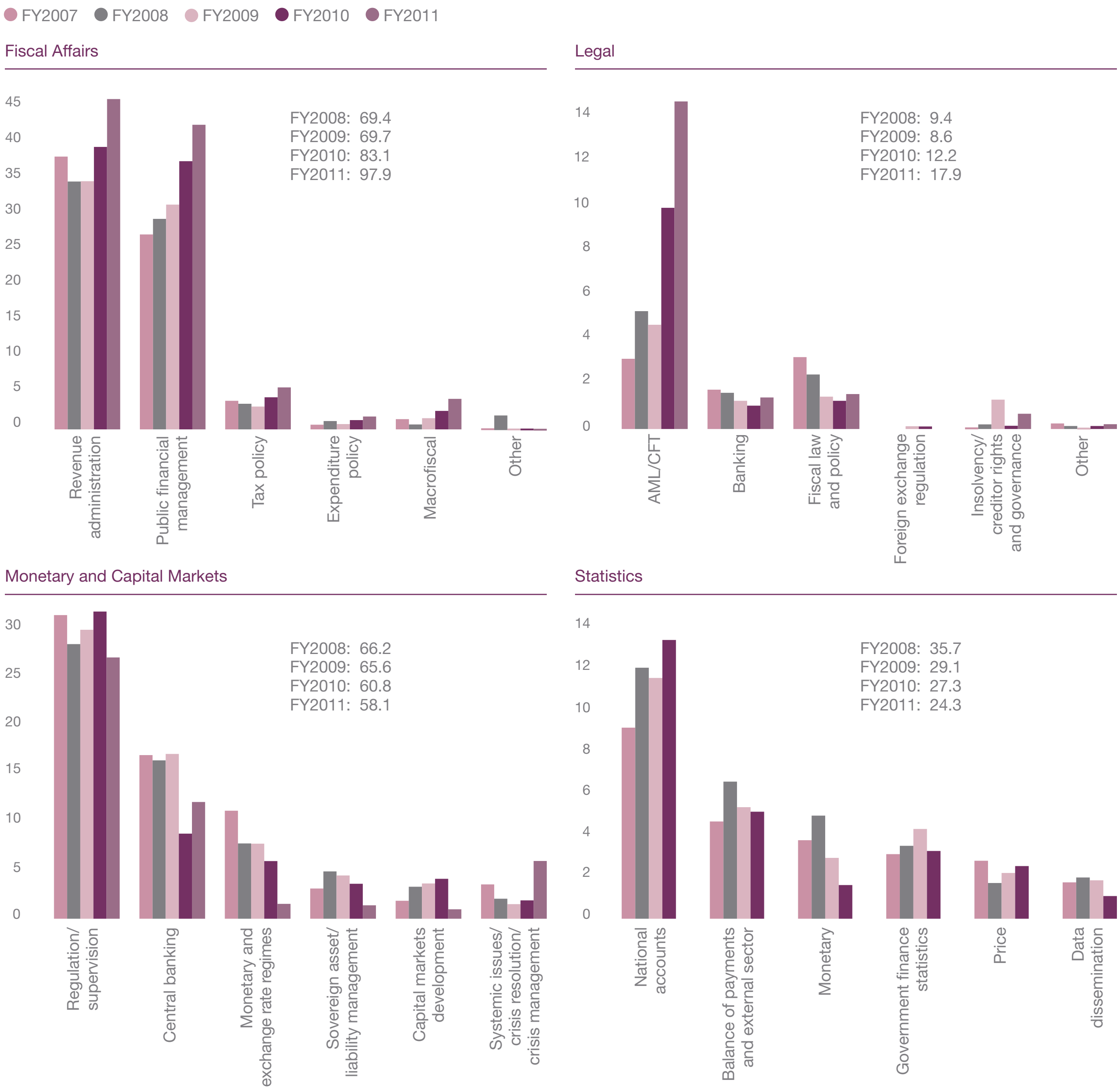
such as Greece, Hungary, Iceland, and Latvia. This assistance identified tax and expenditure measures that could be adopted by these countries' authorities in their adjustment programs, as many of the measures ultimately were. To help countries strengthen public finances over the longer term, IMF TA also recommended measures to improve budget controls, public financial management, and revenue administration. Requests increased for assistance dealing with the causes and consequences of financial crises, particularly on crisis resolution, financial sector surveillance, stress testing, regulatory reform, cross-border bank resolution, macroprudential policy, systemic liquidity management, and managing public sector balance sheet risks. For instance, financial sector TA has been an essential part of the IMF's assistance to deal with the severe impact of the global crisis in Iceland and debt crisis in Jamaica.

Traditional capacity-building technical assistance

Demand for TA in the area of *fiscal affairs* remained high in FY2011, with assistance delivered during the year to help reinforce basic institutional infrastructure, tax policy and administration, resilience of the financial sector, the soundness of monetary operations, and high-quality statistics in low- and middle-income countries, as well as in fragile states.

Figure 4.1

TA delivery by subjects and topics (In person-years)

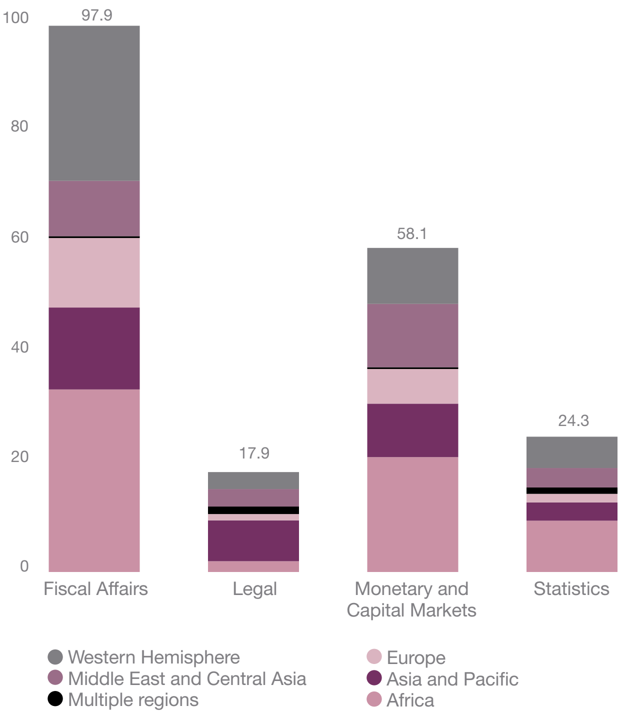


Source: IMF Office of Technical Assistance Management.

Figure 4.2

TA delivery during FY2011 by subjects and regions

(In person-years)



Source: IMF Office of Technical Assistance Management.

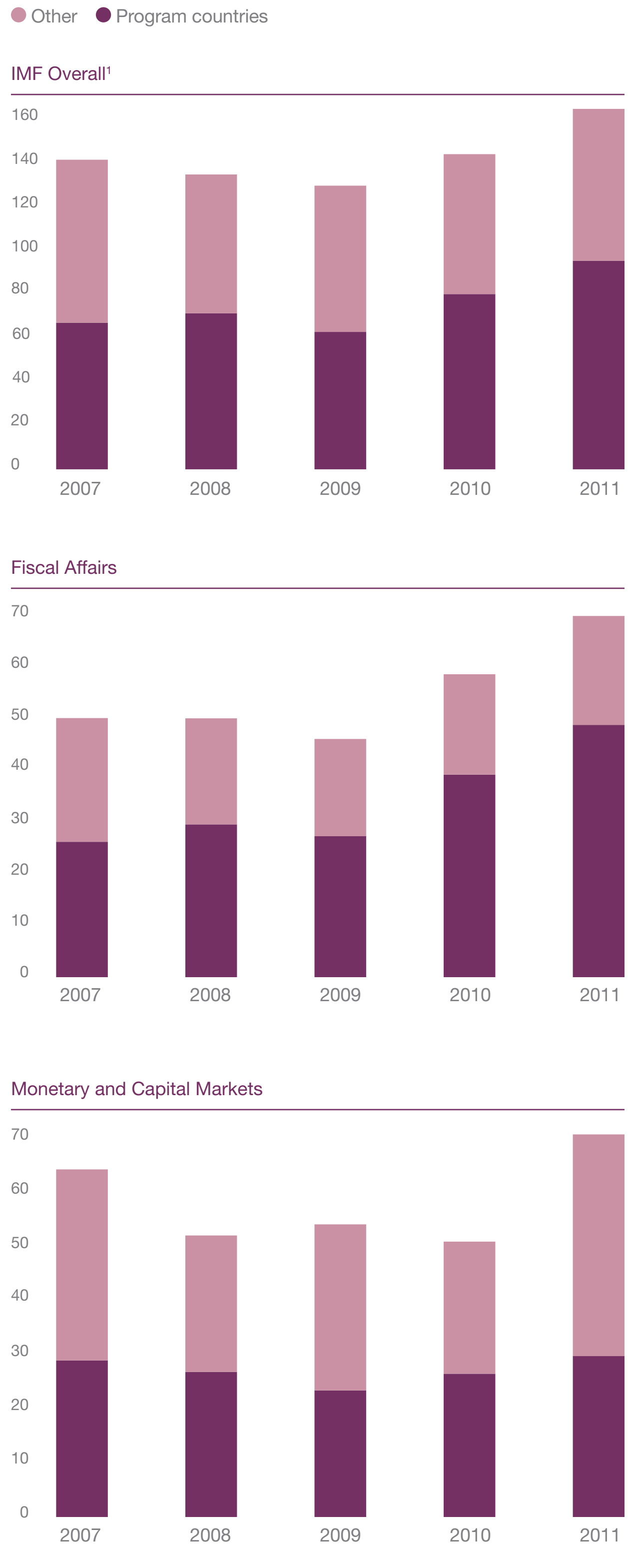
Figure 4.3

TA delivery by income group (In person-years)

Source: IMF Office of Technical Assistance Management.

Figure 4.4

TA by country status



Source: IMF Office of Technical Assistance Management.

1 Does not include training delivered by IMF Institute.

Left Representatives of civil society organizations, journalists, and youth fellows exchange views at the 2011 Spring Meetings. **Right** Women prepare paprika in a village near Strumica, former Yugoslav Republic of Macedonia.

Capacity-building TA in the fiscal area during the year was wide ranging. TA to Haiti aimed at helping to mobilize external aid for reconstruction, in particular, through improving macrofiscal forecasting and reporting, cash management, and government accounting. Assistance for Jordan, Mexico, Nigeria, Panama, and Peru covered specialized areas such as fiscal risk analysis, public-private partnership management, and fiscal aspects of sovereign wealth fund design. In addition, Fund TA supported the former Yugoslav Republic of Macedonia in long-term capacity building and tax administration reforms, Peru in reorganizing the Ministry of Finance and introducing a single treasury account, and Vietnam in implementing a reform strategy for tax policy and administration.

Capacity-building TA on *monetary and financial* issues during the year helped countries improve monetary operations and guided them on ways to strengthen central bank accounting. Long-term experts in Cambodia, Indonesia, the Philippines, and Vietnam worked with counterparts to strengthen banking supervision.

Work continued in FY2011 to help countries improve the compilation of macroeconomic and financial *statistics.* Among the highlights, IMF experts worked with 72 countries to complete a Coordinated Direct Investment Survey in December 2010 and to help these countries improve data on foreign direct investment. The IMF also helped a number of African countries improve economic statistics and data dissemination and several Caribbean countries to develop more accurate GDP and price statistics series. In addition, experts assisted a number of sub-Saharan African countries in implementing regional standards for government finance statistics. With IMF assistance, many other countries also upgraded statistical reporting and data dissemination.

Advice on *legal* issues focused on frameworks governing economic policy, anti–money laundering and combating the financing of terrorism, and obligations under the IMF Articles of Agreement. Complementing TA in the fiscal and financial sector, legal experts helped countries draft legislation on financial sector issues, taxation, public financial management, and corporate and household insolvency issues.

Reforms of the technical assistance program

The IMF continued to enhance the effectiveness of its TA in FY2011 by expanding its partnerships with donors and improving management of donor-financed TA activities. Donor contributions to finance IMF capacity-building activities have been instrumental in allowing the Fund to respond to rising demand, including requests for more-specialized advice (Figure 4.5).

Regional Technical Assistance Centers

Donor financing is instrumental in funding the operations of the IMF's seven Regional Technical Assistance Centers (RTACs), located in the Pacific, the Caribbean, Africa, the Middle East, and Central America. These regional centers are an important part of the IMF's regional approach to technical assistance and training, which allows assistance to be better tailored to the particular needs of each region and enhances the IMF's ability to respond quickly to emerging needs.

In response to the recipient countries' request, the IMF continued expanding its network of RTACs. Following extensive preparations, AFRITAC South started operations in June 2011 in Mauritius. It serves southern Africa, with donor support from the African Development Bank, Australia, Brazil, Canada, the European Union's regional program with regional organizations (the Indian Ocean Commission, the Common Market for Eastern and Southern Africa, the East African Community, and the Intergovernmental Authority on Development), the European Investment Bank, Finland, Switzerland, and the United Kingdom. Pending sufficient financing, another RTAC is expected to open in 2012 to serve non-Francophone western Africa (which will complete coverage of sub-Saharan Africa). A center to serve Central Asia is also planned.

Major funding drives are also under way for new phases of the existing RTACs, which are also expanding in response to demand.

Topical trust funds

Donor financing is also critical for support of technical assistance provided through the IMF's topical trust funds (TTFs), which covers specialized topics and complements the regionally focused assistance delivered through the RTACs. The first TTF, which began operations in May 2009, concentrates on capacity building in connection with anti–money laundering and combating the financing of terrorism (AML/CFT).

Work plans for FY2012 have been endorsed by donors for two new TTFs (in the areas of tax policy and administration and managing natural resource wealth).[57] These two new trust funds are financed by Australia, Belgium, the European Union, Germany, Kuwait, Luxembourg, the Netherlands, Norway, Oman, and Switzerland, which have pledged US$45 million or over 80 percent of the two TTFs' five-year budgets. As many of these donors also supported the first TTF, their willingness to extend their participation to other similar initiatives signals that they consider TTFs to be an effective way to coordinate capacity building and leverage IMF expertise. Preparations are also under way for launching a TTF on the externally financed appointees program, and work continues on organizing TTFs on economic statistics and sustainable debt strategy and to support training for Africa.

Expanding bilateral partnerships with donors

The IMF works continuously to widen and deepen its bilateral partnerships with donors. After contributing to the support of RTACs in December 2009, the European Union entered into its first bilateral agreement with the IMF to support the institution's capacity-building activities in November 2010. The IMF also intensified its partnerships in FY2011 with Japan (the largest donor to the Fund's capacity-building initiatives), the United Kingdom, Switzerland, Canada, Australia, Norway, the Netherlands, France, and New Zealand, all of which continued to support IMF TA during the year despite fiscal pressures. Japan, for instance, committed more than US$100 million over FY2010–12. Sweden resumed its support of IMF TA in FY2011, contributing to a new multidonor Liberia Macro Fiscal Trust Fund. In addition, a letter of understanding was signed with the World Bank during the year for a US$5.6 million project funded by Canada to support economic management in the Caribbean, and a letter of understanding with the United States—its first—was also signed. In FY2011, total funding received to support capacity building was around US$120 million, up by 21 percent from the previous year (see Web Table 4.1).

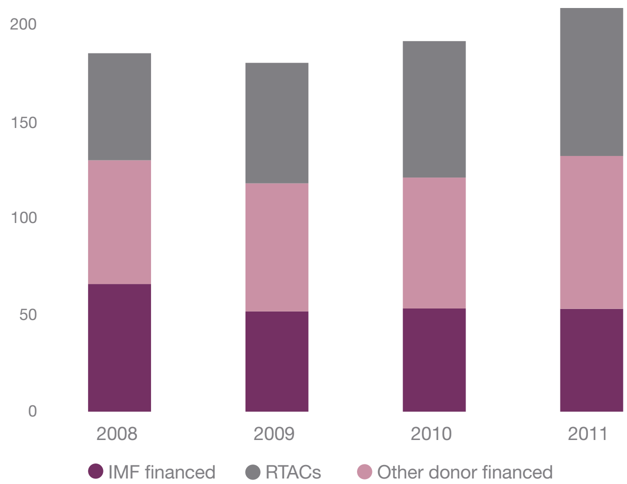
Improving effectiveness and efficiency

The Fund continued to make progress in FY2011 towards achieving the objectives of its 2008 TA reform, which include enhanced efficiency, strengthened internal prioritization, and improved costing. This progress has helped attract donor contributions (see previous subsection), which have enabled the Fund to meet the increased demand for capacity building since the Fund was downsized in 2008–09. In light of the major structural changes that had taken place, the IMF eliminated the policy for country contributions for capacity building before it was to enter into effect (May 1, 2011). While envisaged in the 2008 TA reform, implementation of the charging policy had been postponed in view of the crisis and at the urging of a number of member countries. The decision to eliminate this policy was based on the assessment that the costs of charging for capacity-building activities were higher than the limited benefits in the new environment, and also to mitigate the risk that charging could result in diverting TA to those that can pay.

A number of working groups were convened in FY2011 to follow up on the 2008 reform and focus on various aspects of enhancing the effectiveness and efficiency of the IMF's TA. A working group on IMF TA financing examined the right mix between donor and IMF financing to ensure sufficient flexibility to respond to urgent TA needs. Another working group, on results-based management, reviewed international practices to develop an IMF approach in this area, drawing on the existing TA planning and implementation process. A third working group focused on drawing up recommendations to standardize the operations of all RTACs and further align RTAC TA with other IMF TA.

Figure 4.5

TA delivery by the IMF (In person-years)



Note: Data do not include IMF Institute.
Source: IMF Office of Technical Assistance Management.

Additionally, evaluations of selected capacity-building activities continue to be undertaken, including assessments of their effectiveness and efficiency. In FY2011, the IMF facilitated evaluations of the Belgian, Swiss, and Japanese bilateral trust funds and started preparations for independent external evaluations of the AML/CFT topical trust fund and a study of the administrative cost of the RTAC in the Caribbean, which are expected to commence in FY2012.

Training

Training for member country officials is an integral part of the IMF's capacity-building efforts. Courses and seminars are designed to share IMF staff expertise on a wide array of topics critical to effective macroeconomic and financial analysis and policymaking, including courses on the compilation of macroeconomic statistics and various fiscal, monetary, and legal issues. Most of the training is provided through a program organized by the IMF Institute (in collaboration with other departments), delivered mainly at IMF headquarters, at seven regional training centers around the world, and through distance learning.

Important progress has been made on the key medium-term goal of rebuilding the volume of training with donor support, following cuts in FY2009 owing to the IMF's restructuring exercise. In FY2011, more than 9,000 participant-weeks of training were

Left A small-scale factory manufactures cement blocks by hand in Port-au-Prince, Haiti. **Right** Attendees listen to speakers at a conference on low-income countries at IMF headquarters in November 2010.

delivered through the IMF Institute program—a 6 percent increase from FY2009—attended by 4,200 officials (see Web Table 4.2). Training for Latin America received increased support with the expansion of the Joint Regional Training Center for Latin America in Brazil in May 2010.[58] An agreement between Kuwait and the IMF signed in November 2010 to create a new IMF–Middle East Center for Economics and Finance will substantially increase the support for IMF training in that region beginning in FY2012.[59] The IMF Institute has further strengthened the evaluation of training, providing additional feedback to donors (see Box 4.2).

The training curriculum is continually adapted to the IMF's priorities and the evolving needs of member countries; to this end, additional training was provided in FY2011 on macroeconomic diagnostics and financial sector issues. The IMF Institute held a high-level seminar, "Natural Resources, Finance and Development: Confronting Old and New Challenges," in Algeria, and a conference, "Financial Regulation and Supervision: Lessons from the Crisis," jointly with the George Washington University. A high-level panel and regional dialogue, "Growth and Employment in Europe," was held at the Joint Vienna Institute.

DATA AND DATA STANDARDS INITIATIVES

The IMF's standards for data dissemination

Data dissemination standards help enhance the availability of timely and comprehensive statistics, which contributes to the pursuit of sound macroeconomic policies. Among the steps the IMF has taken to enhance transparency and openness is the establishment and strengthening of data dissemination standards to guide countries. The Special Data Dissemination Standard (SDDS), established in March 1996, is intended to guide members in the provision of their economic and financial data to the public. The General Data Dissemination System (GDDS), established

Box 4.2

Evaluating the effectiveness of IMF Institute training

The IMF Institute utilizes a variety of monitoring and evaluation techniques to ensure that its programs are meeting the training needs of member countries. Techniques include (1) quantitative and qualitative evaluations of training from the participants at the end of every course; (2) input from the Institute's partners at the regional training centers; (3) a triennial survey of participants' sponsoring agencies, carried out by an internationally known research firm; (4) brainstorming meetings with senior country officials; and (5) follow-up surveys one year to 18 months after a sample of courses, to assess whether benefits from the training are sustained. These surveys, launched in FY2011, are also conducted by an independent market research firm to ensure the anonymity of responses. Follow-up surveys were conducted in FY2011 for seven courses delivered in FY2010 (two at the IMF's Singapore Training Institute, two at the Joint Vienna Institute, one at the India Training Program, one at IMF headquarters, and one offered through distance learning). Questionnaires were sent to the participants and to the managers in their agencies who had sponsored their participation in the training.

The feedback received through these various evaluation channels has been very positive. In the new follow-up surveys, participants and their sponsors overwhelmingly confirmed that the training had helped participants do their jobs better and enhanced their promotion prospects, and that participants had shared what they learned with colleagues.

Box 4.3

Data and statistics activities in FY2011

The recent crisis reaffirmed an old lesson: that good data and good analysis are essential for effective surveillance and policy responses at both the national and international levels. Partly in response to the data gaps highlighted by the crisis and partly as the result of ongoing efforts, FY2011 was a busy year for data and statistics at the IMF. Activities included launching *new online databases* to provide public access to key statistics that are relevant, coherent, and internationally comparable for use primarily by policymakers. The *Financial Access Survey* features indicators of geographic and demographic outreach of financial services; the *Quarterly Public Sector Debt Database* has public sector debt statistics for 35 countries, updated every three months, in collaboration with the World Bank; and the *Coordinated Direct Investment Survey* is the first worldwide survey of foreign direct investment positions, a collaborative effort by the IMF and its interagency partners the European Central Bank (ECB), Eurostat, the Organization for Economic Cooperation and Development (OECD), and the United Nations Conference on Trade and Development (UNCTAD).

During the year, the IMF released the second part of its *Handbook on Securities Statistics*, which covers debt securities holdings, with the Bank for International Settlements (BIS). Produced in response to calls by different international groups to develop methodological standards for securities statistics, the *Handbook* is designed to help national and international agencies produce securities statistics for use in monetary policy formulation and financial stability analysis. The *Handbook* is a joint initiative with the Bank for International Settlements and the European Central Bank. Part 1 of the *Handbook*, on debt securities issues, was released in May 2009. Part 3, on nondebt securities, is expected to be released in FY2012.

The Fund worked with partner organizations during the year to organize conferences on data and statistics, such as the *Conference on Strengthening Position and Flow Data in the Macroeconomic Accounts*, held jointly with the OECD, which focused on compiling sectoral integrated macroeconomic accounts to fill an important data gap identified in the wake of the financial crisis. A conference of G-20 senior officials on the *G-20 Data Gaps Initiative* held at IMF headquarters in Washington, D.C., in March 2011, jointly with the FSB Secretariat, took stock of the progress made on the initiative. In preparation for the conference, the Fund held a meeting of the *Inter-Agency Group on Economic and Financial Statistics*, which includes the BIS, ECB, Eurostat, IMF (chair), OECD, United Nations, and World Bank. The Fund established a *Government Finance Statistics Advisory Committee*, with country experts and representatives from international agencies and data users, to help improve fiscal statistics.

in 1997, provides a framework to help countries develop their statistical systems to produce comprehensive and accurate statistics for policymaking and analysis. Participation in the SDDS and GDDS is voluntary.[60]

In May 2010, Georgia subscribed to the SDDS, bringing the number of subscribing countries to 68. Bhutan and Kosovo joined the GDDS in May 2010 and April 2011, respectively, bringing to 98 the number of GDDS participants (excluding the countries that have graduated from the GDDS to the SDDS). Comprehensive information on the statistical production and dissemination practices of Bhutan, Georgia, and Kosovo now appears on the IMF's Dissemination Standards Bulletin Board, which provides access to the SDDS, GDDS, and Data Quality Reference sites.[61]

Interim report for the Eighth Review of the Fund's Data Standards Initiatives

In its March 2010 discussion on broadening financial indicators in the SDDS, the Executive Board agreed to accelerate the timing of the Eighth Review of the Fund's Data Standards Initiatives and requested an interim briefing within a year of that discussion; in February 2011, the Board discussed the Interim Report prepared by the staff in response to that request.[62] The Interim Report was built on work for the G-20 economies and paves the way for preparation of the Eighth Review to fill data gaps and promote transparency through data dissemination.

Executive Directors took note of the satisfactory progress with recent modifications to the IMF's data standards, including the addition of financial soundness indicators to the SDDS and alignment of the GDDS with the SDDS. They were encouraged by the positive overall feedback received from subscribers, participants, and other stakeholders, while noting areas where there is scope for improvement. They noted that the global financial crisis had highlighted the need for high-quality, comparable, and timely data, which are crucial for early detection of risks and vulnerabilities.

Executive Directors recognized that, although a lack of data was not a main cause of the global financial crisis, the crisis revealed serious data gaps in key areas where interlinkages across institutions and markets could pose risks and vulnerabilities to the national and global financial systems. This argues, it was noted, for consideration of an efficient way to address these gaps, especially for countries with systemically important global financial sectors. Accordingly, most Executive Directors supported further work on a proposal for an "SDDS Plus" as an additional tier of the Fund's Data Standards Initiatives, along the broad outline and modalities mapped out in the Interim Report.

Executive Directors looked forward to considering concrete proposals for enhancements to the SDDS at the time of the Eighth Review in 2012, as well as a fruitful discussion on the possible modalities for addressing data gaps identified by the recent crisis, along with further analysis of the resource implications.