5 FINANCES, ORGANIZATION, AND ACCOUNTABILITY

5 FINANCES, ORGANIZATION, AND ACCOUNTABILITY

The global crisis highlighted the need for a substantial increase in the IMF's resources for providing financing to member countries. During FY2011, the IMF approved a historic increase in members' quotas, which is now awaiting ratification by the Fund membership to become effective, and also approved and activated a significant expansion of its standing arrangements to borrow from member countries, significantly augmenting its resources available to provide such financing. It also signed bilateral agreements with a number of member countries to support both nonconcessional and concessional lending. Conclusion of the Fund's limited gold sales during the year will ensure funding of an endowment under the Fund's new income model endorsed in 2008. There is also support for making resources linked to the gold sales profits available to provide concessional assistance to low-income countries, though agreement on the final strategy is still pending.

The Executive Board completed its annual review of the IMF's administrative and capital budgets, approving an FY2012 budget that includes initial financing for major building repairs to the older of the Fund's two headquarters buildings (HQ1) and the Concordia building, as well as necessary investments in information technology equipment and software. It also reviewed the adequacy of the Fund's precautionary balances and its safeguards assessment policy. The Executive Board welcomed the formation of an external panel of experts to review the framework used by the Fund to manage its strategic, financial, and operational risks. It also approved extending the mandate of the Fund's Office of Internal Audit and Inspection (OIA) to cover audits of financial expenses and compliance with Fund policies, regulations, and procedures of the Executive Board and its related entities, including the Offices of Executive Directors and the Independent Evaluation Office.

In the area of human resources, strong efforts in recruitment continued in FY2011, as did the implementation of significant human resources reforms. Dominique Strauss-Kahn resigned as Managing Director in May 2011, and the Executive Board initiated the selection process for the next Managing Director, which was completed in June 2011, with the naming of Christine Lagarde as the Fund's new Managing Director. After Deputy Managing Director Murilo Portugal left the Fund in March 2011, he was replaced by a new Deputy, Nemat Shafik.

The Independent Evaluation Office continued its work in evaluating IMF policies and activities, publishing an assessment of the IMF's performance in the period leading up to the global crisis, completing work on an evaluation of research at the IMF, and initiating the work program for upcoming evaluations. Outreach continued to form an important part of the Fund's overall strategy, with the Regional Advisory Groups meeting jointly for the first time at the 2010 Annual Meetings and significant initiatives to improve the Fund's relationships with its Asian members and to increase its engagement with trade unions.

BUDGET AND INCOME

Quota increases

The IMF's resources for providing financing come primarily from the quota subscriptions each country pays upon joining the Fund, broadly based on its relative size in the world economy. As discussed in Chapter 4, two recent reforms are expected to substantially increase IMF members' quotas. In March 2011, the IMF's 2008 quota and voice reforms entered into force. The reforms include quota increases for 54 member countries amounting to SDR 20.8 billion (about US$33.7 billion). In December 2010, the IMF's Board of Governors approved further reforms that, when ratified by the membership, will double member quotas to approximately SDR 476.8 billion (about US$772.9 billion). This unprecedented augmentation of members' quotas is targeted for completion before the 2012 Annual Meetings.

Expansion and activation of New Arrangements to Borrow

To supplement its quota resources, the IMF has two standing sets of credit lines, the General Arrangements to Borrow (GAB, established in 1962) and the New Arrangements to Borrow (NAB, established in 1998). Under these arrangements, a number of member countries or their institutions stand ready to lend additional funds to the IMF, through activation of the arrangements.

In April 2009, in the face of a sharp increase in the demand for IMF financing resulting from the global crisis, G-20 leaders (with the IMFC's subsequent endorsement) called on the IMF to increase available resources for providing such financing. In November 2009, the 26 NAB participants at the time and 13 prospective new participants reached agreement in principle on an expanded and more flexible NAB, and in April 2010, the IMF adopted a formal decision to expand the NAB substantially, adding 13 new participants, including a significant number of emerging markets. This reform of the NAB was subject to ratification by the existing 26 participants and required that a minimum threshold of new participants notify the Fund of their adherence to the expanded NAB. In March 2011, the IMF announced that the ratification process was complete and that the expansion had taken effect.[63] Once all new participants have notified the Fund of their adherence to the expanded NAB (which in a few cases still requires completion of domestic approval procedures), the expansion will increase the NAB more than tenfold, from SDR 34 billion (about US$55 billion) to SDR 367.5 billion (about US$576 billion). As of April 30, 2011, total effective NAB credit arrangements stood at SDR 363.2 billion.

In April 2011, the IMF announced that its Executive Board had formally completed the process for the first activation of the expanded NAB, which required the consent of participants with an 85 percent majority of total credit arrangements among participants eligible to vote, and the approval of the Board.[64] Given the substantial increase in quota resources that is expected to become available once the quota increase under the Fourteenth General Review of Quotas comes into effect, it was agreed that the NAB should be correspondingly scaled back, with details to be determined during the upcoming review of the NAB that is expected to be completed by mid-November 2011.

Bilateral borrowing agreements

Supplemental financing agreements

To provide the IMF with access to supplemental financing while the proposed expansion of the NAB was pending, a number of countries signed bilateral loan and note purchase agreements (borrowing agreements) with the Fund. In addition to the 16 bilateral borrowing agreements and three note purchase agreements that went into effect in FY2009 and FY2010, a few borrowing agreements became effective in FY2011: with the Bank of Austria and Bank of Slovenia in October 2010 and the Bank of Italy in March 2011.[65] All three of these agreements were part of a March 2009 EU commitment to contribute up to €75 billion (then equal to about US$100 billion) to support the IMF's lending capacity, which the EU subsequently augmented with a commitment for an additional €50 billion to the Fund's expanded NAB. Now that the expansion of the NAB has taken effect, bilateral borrowing arrangements with NAB participants are no longer being used to finance new commitments, and any outstanding balances under these bilateral lines may be folded into the NAB.

Agreements in support of lending to low-income countries

Following the Executive Board's approval of reforms to the IMF's concessional lending facilities in July 2009, the former Managing Director launched a fund-raising campaign seeking additional bilateral loan resources and subsidy contributions to support concessional lending under the PRGT. In FY2011, the IMF, as Trustee of the PRGT, signed a number of agreements with member countries to support lending in low-income countries. Loan agreements were signed with the Norwegian Ministry of Finance in June 2010, Netherlands Bank in July 2010, Bank of France in September 2010, Bank of Korea in January 2011, and Bank of Italy and Swiss National Bank in April 2011, and note purchase agreements were signed with the People's Bank of China, Japan, and the United Kingdom in September 2010.[66]

Adequacy of the Fund's precautionary balances

The IMF maintains reserves as precautionary balances that can be used, if necessary, to absorb financial losses. In September 2010, the Executive Board reviewed the adequacy of the Fund's precautionary balances and considered a proposed shift to a more transparent, rules-based framework for assessing reserve adequacy and adjusting the precautionary balances target over time.[67]

Executive Directors observed that, since the last review in late 2008, the balance of financial risks facing the Fund had shifted from income to credit risks as the Fund responded to members' needs in the global financial crisis. It was noted that while credit capacity had nearly doubled, credit outstanding had almost tripled, and total commitments had reached new highs. Credit concentration remained high,[68] and the size of the largest individual exposures had increased sharply and was projected to rise further.

Executive Directors stressed that, within the IMF's multilayered framework for managing credit risks,[69] an adequate level of precautionary balances remained essential in mitigating financial risks and protecting the value of reserve assets that members place with the Fund. The rules-based approach to assessing reserve adequacy proposed by the staff would, it was felt, increase the transparency of decisions on the target and provide greater guidance on the need for adjustments over time, while leaving scope for Board discretion in light of a broad assessment of the financial risks facing the Fund.

Executive Directors supported setting a floor for precautionary balances, to protect against an unexpected rise in credit risks and ensure a sustainable income position, and generally supported an initial floor of SDR 10 billion, while highlighting the need to keep this floor under review. Most supported maintaining the precautionary balances target broadly within a range of 20–30 percent of total credit, subject to such a floor.

Income, charges, remuneration, and burden sharing

Income

Since its inception, the IMF has relied primarily on its lending activities to fund its administrative expenses. A reform of the Fund's income model approved by the Board of Governors in May 2008 allows the IMF to diversify its sources of income through the establishment of an endowment funded within the Investment Account with the profits from a limited sale of the Fund's gold holdings (see "Gold Sales" later in the chapter), 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 PRGT.

Broadening the Fund's investment authority required an amendment of the Articles of Agreement, and in February 2011, the proposed amendment to expand the investment authority became effective following ratification by the membership with the required majorities.[70] The amendment provides authority to broaden the range of instruments in which the IMF may invest, in accordance with rules and regulations to be adopted by the Executive Board. Currencies in an amount equivalent to the gold profits of SDR 6.85 billion were transferred from the General Resources Account to the Investment Account in March 2011 and invested. The endowment envisioned in the revised income model is expected to be established following adoption by the Executive Board of new rules and regulations for the expanded investment authority authorizing such an endowment.

Charges

The main sources of IMF income continue to be its lending activities and investments. The basic rate of charge (the interest rate on IMF financing) comprises the SDR interest rate plus a margin expressed in basis points.[71] For both FY2011 and FY2012, the Board agreed to keep the margin for the rate of charge unchanged, 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 costs for intermediation and buildup of reserves and that it should be broadly aligned with rates in the capital markets.

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 tranches[72] and under Extended Arrangements; these are referred to as level-based surcharges. The IMF also levies time-based surcharges of 100 basis points on the use of large amounts of credit (with the 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 drawing from the General Resources Account. A refundable commitment fee is charged on amounts available under GRA arrangements, such as Stand-By Arrangements, as well as Extended, Flexible Credit Line, and Precautionary Credit Line Arrangements, during each 12-month period. Commitment fees are levied at 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.

Remuneration and interest

On the expenditure side, the IMF pays interest (remuneration) to members on their creditor positions in the GRA (known as reserve tranche positions). 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 rate of remuneration is currently set at the SDR interest rate, which is also the current interest rate on IMF borrowing. As noted earlier in the chapter, in 2009, the Executive Board agreed to boost the IMF's lending capacity, via borrowings, as part of its near-term response to the global financial crisis. At April 30, 2011, the IMF held borrowed funds from members through bilateral loans and note purchase agreements, and the enlarged and expanded New Arrangements to Borrow, amounting to SDR 19.7 billion.

Burden sharing

The IMF's 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. Quarterly interest charges that are overdue (unpaid) for six months or more are recovered by increasing the rate of charge and reducing the rate of remuneration (burden-sharing adjustments). The amounts thus collected are refunded when the overdue charges are settled.

In FY2011, the adjustments for unpaid quarterly interest charges averaged less than 1 basis point, reflecting the rise in IMF credit outstanding owing to the effect of the global crisis on members and a similar increase in member reserve tranche positions. The adjusted rates of charge and remuneration averaged 1.35 percent and 0.35 percent, respectively, in FY2011.

Net income

The IMF's net operational income in FY2011, before taking account of profits from the gold sales it conducted, was SDR 780 million, reflecting primarily income from high levels of lending activity. The returns net of fees on the IMF's investments were 0.89 percent, outperforming the benchmark one- to three-year index by 54 basis points. Profits from the gold sales in FY2011 were SDR 3.1 billion and were transferred to the Fund's Investment Account for investment, as previously discussed.

Gold sales

As noted earlier in the chapter, the new income model for the IMF approved in 2008 includes the establishment of an endowment in the Investment Account funded from the profits of the sale of a limited portion of the IMF's gold holdings, with the objective of investing these resources and generating returns to contribute support to the IMF's budget while preserving the endowment's long-term real value. The Executive Board agreed in July 2009 that in addition to funding the endowment, part of the gold sale proceeds would also be used to increase the IMF's resources for concessional lending to low-income countries. In September 2009, the Board formally approved the sale of 403.3 metric tons of the IMF's gold, representing one-eighth of the institution's total holdings.

The gold sales were initiated in October 2009. Under modalities adopted to safeguard against disruption of the gold market, the Fund first offered gold for off-market sale (at market prices prevailing at the time of the sale) to official sector holders such as central banks. Three central banks purchased a total of 212 metric tons of the available gold within a few months of the offering, leaving a balance of 191.3 metric tons still available for purchase. In February 2010, the IMF announced plans to pursue a second phase of gold sales on the market, making it clear that off-market sales could also continue, and that further sales to official holders would reduce, by a corresponding amount, the quantities of gold available for on-market sale.

As the on-market sales were taking place, in September 2010, the IMF announced a sale of 10 metric tons of gold, at prevailing market prices, to the Bangladesh Bank.[73] The following December, the IMF announced the conclusion of the limited gold sales program.[74]

The IMF's gold sales generated total proceeds of SDR 9.54 billion. Of this amount, SDR 2.69 billion represented the gold's book value and SDR 6.85 billion represented profits. As noted, all sales (whether off market or on market) were based on market prices, which were higher than assumed at the time the new income model was endorsed. Funding the endowment with gold profits at the level originally assumed at the time the new income model was endorsed in 2008, and increasing resources for concessional lending to the levels agreed upon in July 2009, would have required an average sales price of US$935 per ounce. The actual average sales price was US$1,144 per ounce, resulting in additional "windfall" profits from the gold sales.

Use of gold sale profits

In April 2011, the Executive Board held a preliminary discussion on the use of the gold sale profits.[75] Executive Directors noted their expectation that at least SDR 4.4 billion (US$7.0 billion) of the profits would be used to fund an endowment within the IMF's Investment Account, as previously specified.

They also affirmed their support for the strategy to use part of the profits to generate SDR 0.5–0.6 billion in end-2008 net present value (NPV) terms in resources for subsidies for the PRGT. However, use of resources linked to the gold sales to generate PRGT subsidies would require an indirect transfer mechanism: resources related to the gold sale profits would be distributed to members in proportion to quotas, and those members would be asked to return the resources (or broadly equivalent amounts) as subsidy contributions. Assuming 90 percent of the distribution would be returned by members, an estimated SDR 0.6–0.7 billion, in end-2008 NPV terms, would need to be distributed to generate bilateral subsidy contributions to the PRGT in the specified amounts (SDR 0.5–0.6 billion in end-2008 NPV terms). Executive Directors emphasized the importance of minimizing leakage in this process by seeking satisfactory assurances from members, prior to distribution of any resources, that they will return broadly equivalent amounts to the Fund as bilateral contributions to the PRGT.

With regard to the remaining windfall profits of about SDR 1.75 billion (US$2.84 billion), Executive Directors discussed a number of preliminary options. Given the diversity of views expressed on the matter, the Board planned to revisit the potential uses of the windfall profits by the time of the 2011 Annual Meetings. It was decided that in the interim, the windfall profits would remain in the Investment Account and that an equivalent amount of FY2011 net income would be proposed for inclusion in the Fund's general reserves in the context of the FY2011 income disposition decisions, pending a future decision on their use.

Administrative and capital budgets

In April 2010, in the context of a FY2011–13 medium-term budget (MTB), the Executive Board authorized total net administrative expenditures for FY2011 of US$891 million as well as a limit on gross expenditures of US$1,013 million (see Table 5.1). It also approved capital expenditures of US$48 million (see Table 5.2).

The FY2011 budget represented the final stage of the three-year restructuring program that started in FY2009. As part of the restructuring, the Fund's new structural steady-state budget was reduced by US$100 million in real terms and the number of staff positions by 380, compared with the FY2008–10 MTB.

Meeting the demands of the global crisis, which struck only a few months into the restructuring effort, proved challenging. To fund crisis-related activities, a flexible approach was adopted: dollar budgets were shifted across departments through reallocation and across financial years by carrying forward unspent appropriations to the next financial year. This flexible approach continued in FY2011, with a structural net budget envelope of US$891 million, and unspent resources from FY2010 authorized for spending in FY2011 of US$62 million, for a total of US$953 million. Of the latter, US$52 million was specifically earmarked for temporary, crisis-related activities.

Actual net administrative expenditures in FY2011 amounted to US$917 million, US$36 million less than the budgeted US$953 million, mainly as the result of underspending in travel, building facilities, and other operational expenditures. Actual spending on capital information technology (IT) was according to plan, while spending on facilities was kept to minimum levels. As the long-term investment plans for repairing HQ1 and the Concordia building (see Box 5.1) were developed during FY2011, only the most urgent facilities remediation or maintenance investments were carried out. Consistent with the previous year, IT investments focused on improving information and data management, the delivery of systems to support reforms to human resources, and improving operational efficiency.

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 accounting on an accrual basis and the recording and amortization of employee benefit costs based on actuarial valuations. Table 5.3 provides a detailed reconciliation between the FY2011 net administrative budget outturn of US$917 million and the IFRS-based administrative expenses of SDR 649 million (US$999 million) as reported in the audited IMF financial statements.

The Fund's business plan for FY2011 focused on global cooperative solutions to work out effective exit strategies from stimulus policies, strengthen oversight of economic and financial systems, and reform the global financial architecture. Concurrently, the Fund continued to provide direct services to member countries through assistance and policy advice to countries affected by the crisis, and substantial technical assistance for capacity building in less-developed member countries (Table 5.4).

In April 2011, the Board approved a budget for FY2012 authorizing net administrative expenditures of US$985 million and a limit on gross administrative expenditures of US$1,161 million, which includes a carry-forward limit of US$37 million to FY2012. The capital budget was set at US$162 million, which includes initial financing for the major building repairs to HQ1 and the Concordia building (Box 5.1) and for necessary investments in IT equipment and software. The Board also endorsed indicative budgets for FY2013–14.

The FY2012–14 MTB aims to address recent changes in core IMF work—relating to crisis prevention, surveillance of the global economy, and financial sector analysis—through a modest (about 3 percent) increase in the Fund's underlying or "structural" budget. It also continues to provide funding, through an additional temporary expenditure envelope, for a temporary spike in crisis-related activities to assist countries directly affected by the ongoing global crisis. At the same time, the MTB incorporates substantial efforts that have been made to reallocate resources within and across departments so that the bulk of the savings achieved during the recent restructuring can be preserved despite the need for higher spending.

Arrears to the IMF

Overdue financial obligations to the IMF fell from SDR 1,309 million at end-April 2010 to SDR 1,305 million at end-April 2011 (Table 5.5). Sudan accounted for about 75 percent of remaining arrears, and Somalia and Zimbabwe for the remaining 18 and 7 percent, respectively. At end-April 2011, all arrears to the IMF were protracted (outstanding 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 Trust Fund and the PRGT. Zimbabwe is the only country with protracted arrears to the PRGT. The general SDR allocation in August 2009 has facilitated all protracted cases in remaining current in the SDR Department.

Under the IMF's strengthened cooperative strategy on arrears, remedial measures have been applied to address the protracted arrears. At the end of the financial year, Somalia and Sudan remained ineligible to use GRA resources. Zimbabwe will not be able to access GRA resources until it fully settles its arrears to the PRGT. A declaration of noncooperation, the partial suspension of technical assistance, and removal from the list of PRGT-eligible countries remain in place as remedial measures related to Zimbabwe's outstanding arrears. In January 2011, the Executive Board decided to continue the Fund's technical assistance to Zimbabwe in targeted areas.

Audit mechanisms

The IMF's audit mechanisms comprise an external audit firm, an internal audit function, and an independent External Audit Committee that exercises general oversight over the annual audit.

External Audit Committee

The External Audit Committee (EAC) has three members, selected by the Executive Board and appointed by the Managing Direc-

Table 5.1

Administrative budget by major expenditure category, FY2009–14

(In millions of U.S. dollars)

	FY2009		FY2010		FY2011		FY2012	FY2013	FY2014
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Budget	Budget
Personnel	697	659	710	694	739	757	823	849	857
Travel	98	77	89	89	104	94	107	110	111
Buildings and other	164	150	168	162	169	169	181	183	185
Annual Meetings	—	—	5	5	—	—	—	6	—
Contingency reserves	8	—	7	—	—	—	12	15	18
Total gross budget expenditures	**967**	**885**	**979**	**950**	**1,013**	**1,021**	**1,123**	**1,163**	**1,172**
Receipts[1]	-99	-72	-100	-87	-122	-104	-138	-159	-162
Total net budget expenditures	**868**	**813**	**880**	**863**	**891**	**917**	**985**	**1,004**	**1,010**
Carry-forward[2]	—	—	52	…	62	…	34	…	…
Total net budget expenditures (including carry-forward)	**868**	**813**	**932**	**863**	**953**	**917**	**1,019**	**1,004**	**1,010**

Source: IMF Office of Budget and Planning.
Note: Components may not sum exactly to totals because of rounding. Dashes (—) represent zeroes; ellipsis points (…) indicate data are not available.
1 Includes donor-financed activities, cost-sharing arrangements with the World Bank, sales of publications, and parking.
2 Resources carried forward from the previous year under established rules.

Table 5.2

Medium-term capital expenditure, FY2009–14

(In millions of U.S. dollars)

	FY2009		FY2010		FY2011		FY2012	FY2013	FY2014
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Budget	Budget
Building facilities[1]	17	17	15	12	17	22	128	350	4
Information technology	32	32	30	33	32	32	34	24	31
Total capital expenditures	**48**	**49**	**45**	**45**	**48**	**54**	**162**	**374**	**35**

Source: IMF Office of Budget and Planning.
Note: Components may not sum exactly to totals because of rounding.
1 Includes major building repairs.

Table 5.3

Administrative expenses reported in the financial statements

(In millions of U.S. dollars, unless otherwise indicated)

FY2011 net administrative budget outturn	917
Timing differences:	
Pension and postemployment benefits costs	31
Capital expenditure—amortization of current and prior years' expenditure	45
Amounts not included in the administrative budget (capital and restructuring budgets):	
Capital expenditure—items expensed immediately in accordance with IFRS	9
FY2011 IFRS restructuring costs[1]	1
Less: reimbursements to the General Department (from the PCDR Trust and the SDR Department)	-4
Total administrative expenses reported in the audited financial statements	**999**
Memorandum item:	
Total administrative expenses reported in the audited financial statements (in millions of SDRs)	649

Sources: IMF Finance Department and Office of Budget and Planning.
Note: Components may not sum exactly to totals because of rounding. Conversions are based on the average FY2011 U.S. dollar/SDR exchange rate of 1.54.
1 Represents costs recognized during FY2011. In accordance with IFRS, certain restructuring costs are recognized prior to actual cash outlays; the FY2008 financial statements included a provision of SDR 68 million, equivalent to US$111 million.

Table 5.4

Budgeted expenditures shares by responsibility area, FY2010–14[1]

(Percentage shares of total gross expenditures, excluding reserves)

	FY2010		FY2011		FY2012	FY2013	FY2014
	Budget	Outturn	Budget	Outturn	Budget	Budget	Budget
Global cooperative economic solutions	**34**	**36**	**31**	**35**	**33**	**32**	**32**
Global economic policy dialogue	20	20	20	22	21	21	21
Oversight of the global economic and financial system	14	16	12	13	12	11	11
Direct member services	**66**	**64**	**69**	**65**	**67**	**68**	**68**
Advise member countries on economic policies	23	22	22	22	21	21	21
Support countries' economic policy adjustments	19	19	20	19	18	18	17
Provide capacity building[2]	24	23	27	24	28	30	30

Source: IMF Office of Budget and Planning.
Note: Components may not sum exactly to totals because of rounding.
1 Support and governance expenditures are allocated across outputs. Excludes departmental carry-forward for FY2011.
2 Includes technical assistance and training.

Table 5.5

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, 2011)

		By type		
	Total	General Department (including Structural Adjustment Facility)	Trust Fund	PRGT
Somalia	231.4	223.2	8.2	—
Sudan	986.7	905.8	80.9	—
Zimbabwe	87.2	—	—	87.2
Total	**1,305.2**	**1,128.9**	**89.1**	**87.2**

Source: IMF Finance Department.

Box 5.1

Major building repairs at IMF headquarters

The IMF's main capital expenditures over the medium term will be on repairs to HQ1 and the Concordia building. Several discussions with the Committee on the Budget have helped to work out appropriate remediation and implementation proposals. Both projects also include enhanced governance frameworks including project review teams, and in the case of HQ1, an external peer reviewer.

HQ1. Major portions of the HQ1 building are almost 40 years old and have exceeded or are reaching the end of their useful lives. Substantial investments will be required to replace a number of key building systems to ensure safety, energy efficiency, and more rational use of office space. Building assessments confirmed that major portions of the building's infrastructure were beyond their useful life and that several systems were at risk of imminent failure. A number of alternative approaches were identified, ranging from continued piecemeal repairs (the least disruptive option for staff, but by far the most expensive) to a more comprehensive repair effort which would involve renovating two floors at a time. It was ultimately determined that the latter option was the most affordable and would place the building in good operational condition for the next 20 years. The repairs will take place over four years (FY2012–16).

Concordia. The Concordia extended-stay facility consists of the Concordia (45 years old) and Bond (80 years old) buildings and is mostly used to house students in IMF Institute courses. It is also reaching the end of its useful life, and major investment will be required to repair and maintain the facility. An in-depth analysis of the existing conditions of the buildings and remediation alternatives was undertaken in 2010 and early 2011. After careful consideration of options, staff recommended renovating Concordia over the next two years (FY2012–13) and selling the Bond building.

tor. Under the Fund's By-Laws and the terms of reference approved by the Executive Board, the EAC has general oversight of the annual audit. Members, who serve three-year terms on a staggered basis and are independent of the Fund, are nationals of different member countries and must possess the expertise and qualifications required to oversee the annual audit. Typically, EAC members have significant experience in international public accounting firms, 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. It meets in Washington, D.C., each year, normally 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. The 2011 EAC members are Arfan Ayass, Amelia Cabal, and Ulrich Graf (Chair).

External audit firm

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 conducting the IMF's annual external audit and expressing an opinion on its financial statements, accounts administered under Article V, Section 2(b), and the Staff Retirement Plan. At the conclusion of the annual audit, the EAC briefs the Executive Board on the audit results 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. Two such Board briefings were conducted during FY2011, in July 2010 and February 2011.

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, 2011.

Office of Internal Audit and Inspection

The IMF's internal audit function is assigned to the Office of Internal Audit and Inspection, which independently examines the effectiveness of the Fund's risk management, control, and governance processes. In April 2011, the Executive Board decided, as part of a comprehensive internal audit framework, to extend the OIA's audit coverage to the Executive Board, offices of Executive Directors, and the Independent Evaluation Office and its staff. Prior to the Board's decision, the OIA's audit coverage extended only to Fund staff.

The OIA conducted about 20 audits and reviews in FY2011 in the following areas: financial audits on the adequacy of controls and procedures to safeguard and administer the IMF's financial assets and accounts, IT audits to evaluate the adequacy of IT management and the effectiveness of security measures, and operational and effectiveness reviews of work processes, associated controls, and the efficacy of operations in meeting the Fund's overall goals. It also conducted two confidential investigations and four advisory reviews to help in streamlining business processes to facilitate the implementation of internal development projects. Separate from its internal audit function, OIA also serves as Secretariat to the Advisory Committee on Risk Management. In this capacity, OIA coordinates production of an annual risk management report to the Board.

In line with best practices, the OIA reports to IMF management and to the EAC, thus ensuring its independence. The Board is informed of OIA activities twice a year, via an activity report that contains information on the OIA's planned audits and reviews, as well as the results and status of audit recommendations, and all audit reports are shared with the Executive Board. The most recent informal Board briefing on these matters took place in December 2010. No significant weaknesses in the Fund's internal control structure and financial statements have been identified, while the implementation rate for recommendations stemming from audits/reviews is good.

Risk management

Efforts are ongoing to strengthen risk management at the IMF. The Advisory Committee on Risk Management provides a cross-departmental forum to discuss important incidents and risks, and prepares an annual report on risk management. The Board is periodically briefed on risk management issues, and in May 2010 held a discussion on the 2010 Report on Risk Management. Directors broadly concurred with the assessment of the main risks presented in the report, agreeing that the Fund's more prominent role has had ramifications for its financial, operational, and strategic risks.

Safeguards assessments policy

The IMF's safeguards assessment policy, which has been an integral part of the institution's lending operations since 2002, aims to provide assurances that central banks are able to adequately manage resources provided by the IMF, and provide reliable information. As of April 30, 2011, some 218 assessments of 90 central banks had been conducted. The safeguards policy is subject to periodic review, and in July 2010, the Executive Board concluded its third periodic review of the policy, which included discussion of a report prepared by an independent panel of experts assembled to advise the Executive Board in its review.[76]

Executive Directors reiterated the continued effectiveness of the safeguards policy in helping mitigate the risks of misreporting and misuse of Fund resources and in maintaining the Fund's reputation as a prudent lender. They observed the positive impact of the policy on central bank operations, evidenced by a continuing trend towards enhanced transparency and improved control systems by central banks assessed. They also noted that the policy has played an important role in the detection and resolution of cases involving misreporting and governance abuse, but stressed that safeguards assessments alone cannot be a panacea for governance abuse and control overrides.

Executive Directors affirmed that the existing policy requirement for publication of financial statements that have been independently audited by high-quality firms in accordance with international standards remained broadly appropriate, as did the deadline of the first review under a new or augmented financing arrangement for completion of a safeguards assessment, and that these requirements should continue to be applied consistently. Against the backdrop of an increasing number of such cases recently, they welcomed the steps taken to ensure that an appropriate framework between the central bank and the state treasury is in place for timely servicing the member's financial obligations to the Fund, and endorsed their application as a standard procedure under the existing safeguards framework. The Board reviewed and endorsed a number of recommendations made by the independent panel, in particular, to sharpen the focus on governance and risk management in assessments, enhance collaboration with stakeholders, and promote transparency through wider dissemination of safeguards findings.

The next review of the policy is scheduled to take place in 2015.

External review panel to assess the Fund's risk management framework

In December 2010, the former Managing Director appointed a high-level external panel to undertake a review of the IMF's risk management framework, in accordance with the decision, at the time of the framework's establishment in 2007, to review it after three years. The review is intended to provide an objective and expert assessment of all aspects of the framework—the processes used to identify, evaluate, and mitigate potential risks to the Fund and its operations—recognizing the Fund's unique role in the international financial system, particularly its surveillance activities and responsibilities as a lender of last resort. The panel is chaired by Guillermo Ortiz and includes Jacob A. Frenkel, Malcolm D. Knight, and Thomas O'Neill as members. It was expected to issue its report before the 2011 Annual Meetings.

HUMAN RESOURCES POLICIES AND ORGANIZATION

Human resources in FY2011

Human resources management at the IMF aims at supporting the Fund's evolving business objectives by attracting and retaining a high-caliber, diverse staff, with a mix of relevant skills and experiences, and managing staff efficiently and effectively in an environment that rewards excellence and fosters teamwork. The Fund made significant progress toward these objectives in FY2011, through the continuation of a strong recruitment drive and the implementation of important human resources reforms.

Workforce characteristics

The pace of IMF recruitment remained high in FY2011. A total of 195 new staff members were brought on board during the year, compared with an average of about 150 hires annually in recent years. Moving in the direction of more flexible employment, in particular in response to crisis-related temporary needs, about two-fifths of new staff were hired on a limited-term basis. To meet evolving business needs, the Fund recruited a higher proportion of midcareer economists, as well as staff with financial sector and fiscal/debt management skills.

As of April 30, 2011, the IMF had 1,949 professional and managerial staff and 473 staff at the support level. A list of the Fund's senior officers and the IMF's organization chart can be found on pages 63 and 64, respectively.

The IMF makes every effort to ensure that staff diversity reflects the institution's membership and recruits actively from all over the world.[77] Of the 187 member countries at end-April 2011, 142 were represented on the staff. Web Tables 5.1–5.4 show the distribution of the IMF's staff by nationality, gender, and country type and the staff salary structure. Recruitment for the Fund's Economist Program produced strong diversity results for FY2011: about 70 percent of those hired for the program came from underrepresented regions, and more than half were women. New policy measures were put in place during the year to raise the share of nationals from underrepresented regions at the managerial level. The proportion of nationals from developing and transition countries continued to grow, and the diversity benchmark for the representation of women at senior levels was met.

Management salary structure

Management remuneration is reviewed periodically by the Executive Board; the Managing Director's salary is approved by the Board of Governors. Annual adjustments are made on the basis of the Washington, D.C., consumer price index. Reflecting the responsibilities of each management position, as of July 1, 2010, the salary structure for management was as follows:

Managing Director	US$450,380
First Deputy Managing Director	US$391,630
Deputy Managing Directors	US$372,980

The remuneration of Executive Directors was US$235,180, and the remuneration of Alternate Executive Directors was US$203,440. The average salary in FY2011 for IMF Senior Officers (see page 63) was US$305,615.

Human resources reforms

Compensation and benefits

To increase the transparency and discipline of salary budgets and salary increases while maintaining the competitiveness of Fund salaries, a new system for determining merit pay and the salary budget was adopted in FY2011. Although the IMF's Medical Benefits Plan is not subject to U.S. law, the Fund voluntarily amended it to take into consideration U.S. health care reform in order to maintain alignment with comparator plans. An enhanced compensation and benefits program for locally hired employees in overseas offices was also developed.

Left IMF staff attend a town hall meeting in January 2011. **Right** Newly appointed Deputy Managing Director Nemat Shafik (left) greets staff members soon after taking office in April 2011.

Staff survey

The IMF conducted a comprehensive survey of staff views in late 2010—the first since 2003—in which staff expressed their opinions on a range of workplace issues, such as career development, work environment, performance management, and leadership. Early in FY2012, the IMF's management adopted an action plan to address issues that were revealed by the results as areas of opportunity.

Modernizing human resources service delivery

Significant progress was made during the year in ongoing efforts to introduce technology as a way of improving human resources service delivery. Advances in the automation of benefits applications and enrollment, as well as electronic human resources records management, enhanced the effectiveness and efficiency of some core human resources activities.

Renewal of the Human Resources Department

The Fund's Human Resources Department began refocusing its activities in FY2011 to respond more effectively to the Fund's evolving business needs and achieve significant efficiency savings; that refocusing continued into the early part of FY2012. New priority areas include a strategic workforce planning capability, more support for external and internal staff mobility, and leadership development.

Management changes

Upon the resignation of Managing Director Dominique Strauss-Kahn early in FY2012, First Deputy Managing Director John Lipsky—who had announced prior to the Managing Director's resignation that he would not seek to extend his term as First Deputy Managing Director when it expired—took over as Acting Managing Director. The Executive Board immediately initiated the selection process for the next Managing Director, and in June 2011 selected Christine Lagarde, who took office in July 2011.

In January 2011, Deputy Managing Director Murilo Portugal announced he was relinquishing his position as Deputy Managing Director,[78] agreeing to remain with the IMF as Special Advisor to the Managing Director until early March, when he returned to Brazil to assume the presidency of the Brazilian Banking Federation (FEBRABAN).

In February 2011, the former Managing Director proposed the appointment of Nemat Shafik, then Permanent Secretary of the U.K. Department for International Development, to fill the vacant Deputy Managing Director position.[79] Ms. Shafik, a national of Egypt, the United Kingdom, and the United States, was the youngest-ever Vice President of the World Bank, where she was responsible for a private sector and infrastructure portfolio of investments and was part of the senior management team of the International Finance Corporation. Ms. Shafik's appointment was subsequently confirmed by the Board, and she joined the IMF in April.

Passing of Tommaso Padoa-Schioppa

In December 2010, the IMF community was saddened to learn of the death of Tommaso Padoa-Schioppa (Box 5.2), who had served the IMF in a number of capacities, including as Chair of the IMFC in 2007–08.

ACCOUNTABILITY

Transparency policy

The IMF's transparency policy, enacted in 1999 and most recently revised in March 2010, states that "recognizing the importance of transparency, the Fund will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure." This principle, according to the policy, "respects, and will be applied to ensure, the voluntary nature of publication of documents that pertain to member countries."[80] The Executive Board receives annual updates on the implementation of the Fund's transparency policy; these reports are part of the information the IMF makes public as part of its efforts in the area of transparency. The 2010 update was provided to the Board in August 2010 and is available on the IMF's website.[81]

Independent Evaluation Office

Role of the office and its evaluations

The Independent Evaluation Office (IEO), established in 2001, evaluates IMF policies and activities with the goal of increasing the Fund's transparency and accountability, strengthening its learning culture, and supporting the Executive Board's institutional governance and oversight responsibilities. 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.

IEO work program

Evaluation of IMF performance in the run-up to the financial and economic crisis

In February 2011, the IEO released its evaluation of the IMF's performance in the run-up to the financial and economic crisis, which focused on the performance of IMF surveillance during 2004–07.[82] The report found that the IMF provided few clear warnings about the risks and vulnerabilities associated with the impending crisis before its outbreak. During the run-up to the crisis, the banner message of IMF surveillance, according to the report, was characterized by overconfidence in the soundness and resiliency of large financial institutions and endorsement of the financial practices in the main financial centers. The risks associated with housing booms and financial innovations were downplayed, as was the need for stronger regulation to address these risks.

Although the report focused on financial sector issues because of the nature of the crisis, most of its recommendations (see Box 5.3) deal with institutional changes that would improve the IMF's capacity to detect these and other types of risks and vulnerabilities that could be at the center of a future crisis. The main vehicle for taking forward the IEO's recommendations is the Triennial Surveillance Review (see Chapter 3).

In the Executive Board's January 2011 discussion of the IEO's evaluation, Executive Directors broadly agreed with the IEO findings on the factors that had contributed to the failure to identify risks and give clear warnings in the run-up to the global financial crisis. They broadly endorsed the IEO recommendations, particularly to help strengthen the IMF's institutional environment and analytical capacity. They considered that the report provided a balanced assessment of the failure of Fund surveillance to adequately anticipate and warn about the global crisis, consistent with the Fund's own reports that acknowledged these shortcomings. Executive Directors noted that the reform initiatives undertaken since the onset of the crisis would help enhance the candor and traction of surveillance. Nevertheless, they agreed that further actions should be considered.

Other IEO work in FY2011

In addition to the evaluation of the Fund's performance in regard to the global crisis, in FY2011 the IEO completed an evaluation of research at the IMF, which was discussed by the Executive Board early in FY2012, and the results of the evaluation were published shortly thereafter. The IEO's 2010 Annual Report was published in July 2010. Completed evaluations, issues papers, IEO Annual Reports, and other documentation are available on the IEO website (www.ieo-imf.org).

Upcoming IEO work

Following consultation with country authorities, Executive Directors, management, staff, and outside stakeholders, an informal Executive Board workshop was held in September 2010 to discuss topics for new IEO evaluations. The IEO subsequently initiated work on two evaluations, one of the IMF's role as a trusted advisor, and another of IMF advice and country perspectives on international reserves; work on a third evaluation was expected to begin later in 2011. The IEO is also consulting with various stakeholders to help define the proposed focus and approach for each evaluation and expects to post draft issues papers for public comment.

Implementation of IEO recommendations

To ensure systematic follow-up and monitoring of IEO recommendations endorsed by the Executive Board, soon after the Board discusses each IEO evaluation, IMF staff and management prepare a forward-looking plan for implementing those recommendations. Subsequently, progress is reported to the Board through periodic monitoring reports. In December 2010, the Board agreed to the management implementation plan and supplement submitted in response to the IEO evaluation of IMF interactions with member countries, discussed by the Board in December 2009.[83] In its evaluation report,[84] the IEO examined country perspectives on the IMF's country-level interactions during surveillance, program, and technical assistance missions in 2001–08 and put forward a series of recommendations aimed at enhancing the effectiveness of those interactions.

Left IEO Director Moises J. Schwartz presents results of the IEO's evaluation of IMF performance in the period leading up to the financial crisis. **Right** The IMF's HQ1 building will undergo substantial renovations over the next five years.

Box 5.2

Tommaso Padoa-Schioppa

Tommaso Padoa-Schioppa, who passed away in December 2010 at the age of 70, was Italy's Minister of Economy and Finance in 2006–08 and was, at the time of his death, the Chairman for Europe of Promontory Financial Group, a consulting firm for global financial services companies, and the President of Notre Europe, a prominent Paris-based think tank, as well as an unpaid adviser to the government of Greece. He was a former Chairman of the Trustees of the IASC (International Accounting Standards Committee) Foundation and member of the Executive Board of the European Central Bank, as well as the Chairman of the IMFC. Additionally, he served as Chairman of Italy's Commissione Nazionale per le Società e la Borsa (CONSOB), Deputy General Director of the Banca d'Italia, and General Director for Economic and Financial Affairs at the Commission of the European Communities. He was Joint Secretary to the Delors Committee, Chairman of the Banking Advisory Committee of the European Commission, Chairman of the Basel Committee on Banking Supervision, and Chairman of the Committee on Payment and Settlement Systems.

Mr. Padoa-Schioppa was the author of more than 100 publications, many of them in English and in French. He graduated from the Luigi Bocconi University in Milan and held a master's degree from the Massachusetts Institute of Technology.

Former Managing Director Dominique Strauss-Kahn, in announcing Mr. Padoa-Schioppa's death, thanked him for "his long service to the international community," noting that "his continued service to the IMF, and to the promotion of global economic cooperation, remained an active feature of his life, even after he left government service." At the time of his passing, Mr. Padoa-Schioppa was serving as a member of the IMF's Regional Advisory Group for Europe.

The first external evaluation of the IEO took place in 2006. At that time, Executive Directors considered it appropriate to conduct another evaluation in five years. This second evaluation was expected to begin in the latter half of 2011.

Engagement with external stakeholders

Regional Advisory Groups

As part of a broader effort to strengthen its engagement with the membership and to better inform about its activities and policy advice, the IMF has formed informal Regional Advisory Groups for Africa, the Americas, Asia and the Pacific, Europe, the Middle East, and the Caucasus and Central Asia. The groups have an independent, advisory function and bring different perspectives to the Fund's work in the regions. Their membership comprises prominent experts from the private and public sectors, as well as academia and civil society.

At the first joint meeting of the Advisory Groups, held at the October 2010 Annual Meetings,[85] members of the five groups[86] met with the former Managing Director and senior Fund management. Advisory Group members were debriefed on the outcome of the Annual Meetings and provided with an overview of the global economic developments. They also exchanged views about the implications of these developments for the challenges facing each region and the role of the Fund in helping them meet these challenges.

Box 5.3

The IEO report's recommendations and the staff's response

- ***Create an environment that encourages candor and diverse/dissenting views,*** by actively seeking alternative or dissenting views in Board and/or management discussions and creating a risk assessment unit that reports directly to management and organizes periodic Board seminars on the risk scenarios, among other measures. *The staff agreed that more could be done to seek alternative or dissenting views and that broadening the staff's financial sector expertise is important.*

- ***Strengthen incentives to "speak truth to power,"*** by encouraging staff to ask probing questions and challenge management's views and those of country authorities and considering issuing staff reports without the need for Board endorsement, in order to promote more effective bilateral surveillance, along with other steps. *The staff agreed that at a minimum, there must be readiness to speak truth to power in private when financial stability is at stake and where there is a concern about triggering an adverse market reaction, observing that this arguably had been done over the preceding two years since the onset of the crisis and would need to be carried forward consistently.*

- ***Better integrate financial sector issues into macroeconomic assessments,*** by ensuring that the coverage, periodicity, and participation in mandatory financial stability assessments reflect new developments in the rapidly changing financial markets and institutions, continuing to strengthen the FSAP, and other steps. *The staff noted that in addition to reforms of the FSAP, the Fund had taken other measures in this area since the crisis, such as additional hiring and better integration of financial sector experts, enhanced analysis of financial sector risks and surrounding policy issues in both multilateral and bilateral surveillance, the creation of a macrofinancial unit in the Research Department, and devoting significantly more resources to research and surveillance on financial markets and large complex financial institutions.*

- ***Overcome silo behavior and mentality*** by clarifying the rules and responsibilities for the internal review process, in particular, for "connecting the dots" and establishing interdepartmental collaboration at an earlier stage of the Article IV process and of the development of themes and ideas for multilateral surveillance documents. *The staff acknowledged that despite recent progress (such as the new internal review process, the spillover reports, the Vulnerability Exercise for advanced countries and the Early Warning Exercise, and weekly cross-departmental surveillance meetings), more could be done to foster cross-departmental collaboration, and would have appreciated more specific suggestions from the IEO on furthering collaboration.*

- ***Deliver a clear, consistent message to the membership on the global outlook and risks,*** by ensuring that the assessment of the global economy is consistent and comprehensive, taking a stance on a central scenario with clear specifications of risks and vulnerabilities around this scenario, and transmitting it to the membership clearly, and on issues of systemic importance, emphasizing risks and vulnerabilities instead of focusing on possible benign scenarios. *The staff noted recent efforts to strengthen the integration of the WEO and GFSR, including joint forewords and a new statement by the Managing Director that seeks to integrate themes. It cautioned that the recommendation to be ready to err more often in the direction of emphasizing risks and vulnerabilities in systemic cases could stoke bureaucratic impulses toward pro forma recitation of risks, thus increasing false alarms and reducing the traction of Fund surveillance.*

Asia 21

To strengthen the relationship between the IMF and Asia, the IMF and the government of Korea hosted a landmark conference, "Asia 21: Leading the Way Forward," in July 2010 in Daejeon, marking the first time such a meeting had been held by the Fund in the region. The gathering brought together more than 500 high-level participants, including finance ministers, central bank governors, and business leaders from across the region, to discuss Asia's leading role in the recovery from the global financial downturn. In addition to the former Managing Director, who opened the conference alongside Korea's Minister of Strategy and Finance, other top IMF officials attending the conference were Deputy Managing Director Naoyuki Shinohara and Special Advisor Min Zhu.

At the conference's conclusion, the IMF made three key commitments to Asia: working to make its analysis more useful and available to Asian members, working to strengthen the global financial safety net, and supporting the further strengthening of Asia's role and voice in the global economy. These "Daejeon deliverables" are intended to significantly strengthen the partnership between the IMF and Asia.

Trade unions

Over the past few years, the IMF has undertaken efforts to broaden its interaction with labor at the international and national levels. The former Managing Director met with G-20 labor leaders on the eve of numerous G-20 summits, and a significant majority of IMF country teams include union meetings as a regular part of their interaction with stakeholders. In June 2010, the former Managing Director delivered a keynote speech and participated in a panel discussion at the Second Global Congress of the International Trade Union Confederation (ITUC) in Vancouver.

In September 2010, the IMF cosponsored with the International Labor Organization (ILO) in Oslo "The Challenges of Growth, Employment and Social Cohesion," a high-level conference that brought together political, labor, and business leaders and leading academics to explore new ways of forging a sustainable, job-rich economic recovery from the global financial crisis.[87] At a follow-up "Dialogue on Growth and Employment in Europe" in Vienna in March 2011, representatives of the ITUC, European Trade Union Confederation, and national unions met with IMF and ILO officials to review the employment situation in Europe and to assess progress since the Oslo conference. As part of the Oslo commitments, the IMF and the ILO, together with the ITUC, are also jointly supporting a series of tripartite social consultations in several countries between government, employers, and trade union representatives, in which labor market and employment issues are to be discussed frankly and possible adjustments to existing policies considered.

Regional Economic Outlook Reports

The IMF publishes, as part of its World Economic and Financial Surveys, biannual *Regional Economic Outlook* reports (REOs), providing more-detailed analysis of economic developments and key policy issues for five major world regions: Asia and the Pacific, Europe, the Middle East and Central Asia, sub-Saharan Africa, and the Western Hemisphere. Publication of the REOs is typically coordinated with extensive outreach events in each region. Press releases summarizing REO findings can be found on the IMF's website, along with the full text of the REOs themselves, as well as transcripts and webcasts of press conferences held upon publication.[88]

Regional offices

The IMF has small offices in countries around the world. In addition to Regional Technical Assistance Centers and Training Institutes (see Chapter 4), it has resident representative offices in many of its member countries, along with regional offices in Europe and Tokyo.

The IMF's Offices in Europe (EUO) represent the Fund in the region, advising management and departments as needed, supporting the Fund's operations in Europe, and providing a conduit for European views on issues of interest to the Fund. European-based institutions, including the Organization for Economic Cooperation and Development (OECD), EU, FSB, and Bank for International Settlements (BIS), are playing a crucial role in dealing with the economic and financial crisis. Strengthening the IMF's coordination with these institutions has thus been paramount. EUO's activities focus primarily on four areas. First, EUO contributes to the Fund's multilateral and regional surveillance by representing the IMF in various institutions and by reporting on the views and activities of European-based international organizations, think tanks, and prominent experts, and participating in Fund consultations with EU institutions. Second, EUO represents the Fund in the day-to-day activities of the OECD's Development Assistance Committee and has close working relationships with bilateral and multilateral development agencies in Europe. Third, EUO conducts extensive outreach to better inform the policy debate and disseminate the views of the Fund on key policy issues in Europe. Fourth, EUO works with the Human Resources Department to help fulfill the Fund's recruitment objectives.

As the Fund's window to the Asia and Pacific region, the importance of which is growing in the global economy, the Office for Asia and the Pacific (OAP) assists in monitoring economic and financial developments to help bring a more regionally focused perspective to the Fund's surveillance. It seeks both to enhance the understanding of the Fund and its policies in the region and to keep the Fund informed of regional perspectives on key issues. In this capacity, OAP coordinates the Fund's relations with regional fora in Asia, including the Asia-Pacific Economic Cooperation, the Association of South East Asian Nations (ASEAN), and ASEAN+3. OAP also organizes conferences and events that offer a forum for discussion of current topics central to the IMF's work, as well as promoting capacity building in the region through the Japan-IMF scholarship program and macroeconomic seminar programs.