

The Ethics Office

INTERNATIONAL MONETARY FUND

Annual Report
2009

The Ethics Perspective



The Ethics Perspective

Fund staff must strive to exemplify the values of integrity and trust in carrying out their responsibilities as international civil servants



Table of Contents

Mission Statement	2
Message from the Ethics Advisor	3
Section 1: 2009 Activities and Operations	5
Caseload: Advice and Investigations	5
Ratio of Contacts per 100 Staff per Year	6
Advisory Cases.....	7
Allegations	8
Investigations and Outcomes.....	8
Section 2: Report on the Integrity Hotline	11
Section 3: Major Developments	13
Gift to Fund Official.....	13
Review of Standards of Conduct.....	13
Section 4: Looking Forward: Priorities	17
Training.....	17
Website.....	18
Code of Conduct.....	18



“In all the world and in all of life there is nothing more important than to determine that what is right.”

—Clarence Irving Lewis,
The Ground and Nature of Right

Mission Statement

The Ethics Office provides independent ethics advice to the Fund and its staff; promotes ethical awareness through outreach and training; and conducts preliminary inquiries and investigations into allegations of unethical behavior and misconduct.

The office is headed by the Ethics Advisor who reports directly to the Managing Director under a limited term appointment not to exceed five years.

Information disclosed by staff to the Ethics Office will be handled confidentially unless it involves possible past misconduct or raises a potential threat of physical harm. In such cases, information may be disclosed to other IMF officials on a need-to-know basis.

If you have an ethics question, please contact this office at ext. 39665, visit our office in HQ1-05-548, or send us an email at ethics@imf.org. You may also seek advice or report concerns about potential misconduct to the Ethics Office anonymously via the Integrity Hotline at 1-800-548-5384 or www.integrity-helpline.com/imf.jsp.

The Ethics Perspective

From the first day that I walked into HQ1 to serve as Ethics Advisor, I have been inspired by the energy and diversity of the Fund and its staff. The past several months since my arrival at the Fund have been busy. In addition to the day-to-day operations, I have been familiarizing myself with the organization and meeting with senior management, representatives of the Staff Association Committee, department and office heads, and individual staff members. I have also been formulating the Ethics Office's goals for the next year.

The severity of the recent economic crisis led many countries to look to the Fund for leadership and support to help deal with the consequences of the worst economic slowdown since the Great Depression. With this increased visibility comes greater responsibility to promote good governance and transparency. It is important to our credibility as an institution to not only “talk the talk” but also to “walk the walk.” Thus, the Fund is uniquely positioned to both establish a world-class ethics program—in which staff and members adhere to the highest standards of ethical behavior—and reinforce our commitment to ethical conduct in our interactions with others.

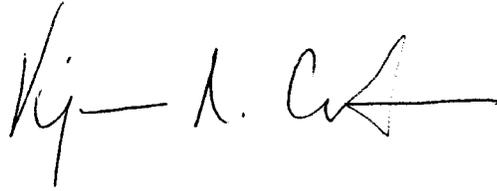
The visibility of the Fund throughout the world creates a corresponding need to equip staff with the fundamental tools necessary to identify and resolve ethics issues. It is imperative that we fully understand and appreciate our role. It is not only to provide policy advice and timely financial support to our members, but to do so by exemplifying the values of integrity and trust in carrying out our responsibilities as international civil servants.

I am thoroughly impressed with the dedication and expertise of the staff and their commitment to ethical public service. Yet more needs to be done to make ethics resources and guidance accessible. Over the next year, I plan to: (1) identify and enhance targeted training opportunities for staff, particularly those with the greatest exposure to ethics issues; (2) expand outreach with a particular emphasis on the Integrity Hotline; (3) launch a new ethics website to make guidance more user-friendly and accessible; and most importantly (4) rejuvenate the Fund's efforts to review and revise the Standards of Conduct so that ethics rules and requirements are clearly and meaningfully conveyed to staff.

After five years of exceptional service to the Fund, my predecessor, Joan Dubinsky, left in June 2009 when her term expired. In her absence, the hard work of the Ethics Office was carried out under the oversight of IMF Ombudsman, Wilbur Hicks, with assistance from Joseph Kroupa and Rebecca Mills. This year's annual report reflects the numerous hours of effort they dedicated to carrying out the demanding work of the office as summarized by information relating to investigations, requests for advice, and the use of the Integrity Hotline.

(continued)

I am deeply honored to have been selected for this position by the Managing Director and I look forward to working with you to serve this outstanding institution.

A handwritten signature in black ink, appearing to read "Virginia R. Canter". The signature is fluid and cursive, with a long horizontal stroke at the end.

Virginia R. Canter

Ethics Advisor

International Monetary Fund

Ms. Canter joined the Fund on February 16, 2010. She previously served the U.S. Government in a number of capacities, including most recently as Associate Counsel to the President at the White House. She also has served in senior ethics positions at the U.S. Department of the Treasury and the U.S. Securities and Exchange Commission.

1

Section

2009 Activities and Operations

Caseload: Advice and Investigations

In 2009, contacts with the Fund's Ethics Office were classified based on the type of issue raised. The Office uses standardized categories to allow comparisons of the caseload over time and detect emerging risk areas. Examples within each category illustrate the kinds of concerns that can arise at the Fund.

Workplace Fairness	Conflicts of Interest
Discrimination Harassment <ul style="list-style-type: none"> • Hostile environment • Abusive management practices Retaliation Workplace relationships <ul style="list-style-type: none"> • Nepotism; close personal relationships • Abuse of power 	Personal conflicts of interest <ul style="list-style-type: none"> • Gifts, awards, honors • Favoritism Financial disclosure, certification External activities <ul style="list-style-type: none"> • Post-Fund employment • Membership on outside Boards • Work in private financial sector
Resources & Information	External Compliance
Misuse of Fund resources <ul style="list-style-type: none"> • Fraud, waste, and abuse • Corruption, bribery, facilitation payments Misuse of Fund information <ul style="list-style-type: none"> • Protection of confidential information • Privacy 	Unpaid debt, tax liens Visa <ul style="list-style-type: none"> • G4/G5 employment Other <ul style="list-style-type: none"> • Domestic violence • Following local criminal and civil laws

ETO Work Load – 2001 to 2009



The Ethics Office handled a total of 136 cases for the twelve-month period ending December 31, 2009. Of these cases, 117 represented requests for advice and 19 pertained to allegations of misconduct. These totals are moderately lower than the 172 cases received in the previous year.

2009 can be viewed as a period of stabilization following the very significant structural changes that took place in 2008. For example, there were notably fewer requests for post-employment advice. These factors combined with the absence of an Ethics Advisor for more than half of the reporting period may account for the overall lower totals.

Ratio of Contacts per 100 Staff per Year

There were 5.4 contacts per 100 staff in 2009.¹ The ratio continues to remain higher than the 2.5-3.5 benchmark used by leading business organizations.² The consistently high percentage of requests for advice versus the downward trend for allegations may be seen as a reassuring

¹ For 2009, the calculation for Contacts per 100 Staff was based on 2500—the number of staff members reported in the IMF Annual Report 2009 (2478) rounded to the nearest hundred. For 2008, the calculation was based on 3000 persons. Although the ratios reported for 2009 appear to be consistent with 2008, there may, in fact, have been comparatively fewer contacts per 100 staff in 2009 than in 2008 because the different benchmark was used for the prior year. In the future, we will continue to rely upon the number of staff reported in the Annual Report in making this calculation.

² “Universal Conduct: An Ethics and Compliance Benchmarking Survey,” The Conference Board, New York, 2006; (Research Report T-1393-06-RR), written by Ronald E. Berenbeim.

Contacts per 100 Staff per Year – 2001 to 2009*



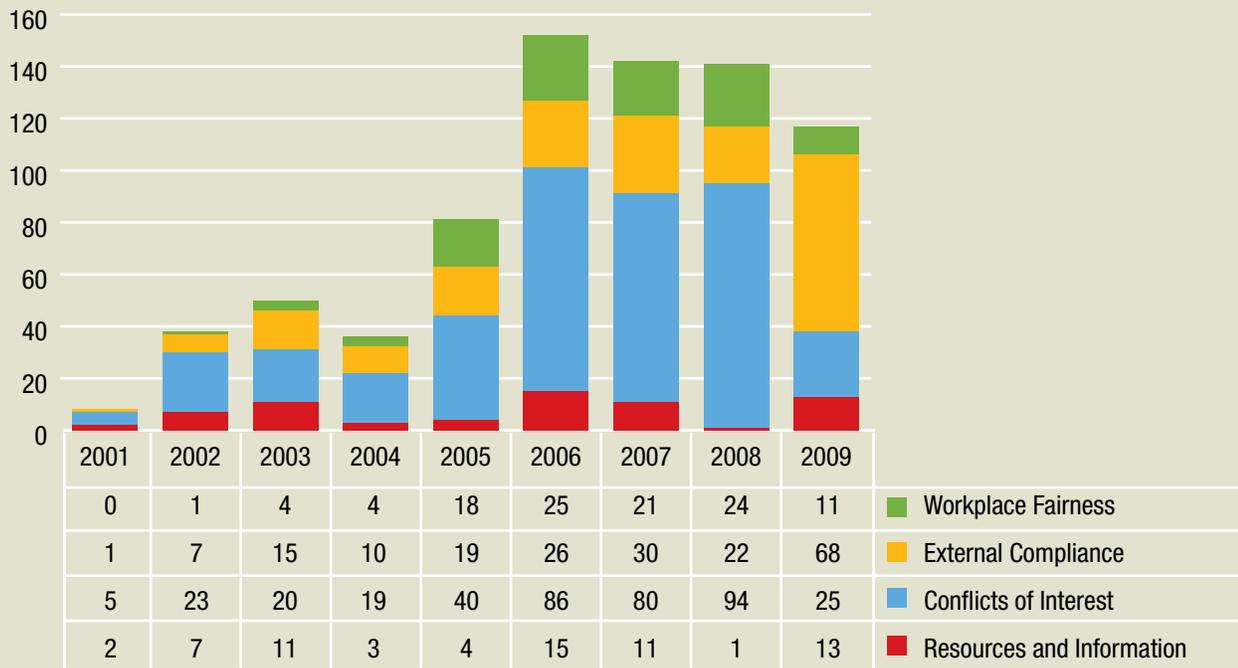
* For 2009, the calculation for the ratio of 100 staff was based on approximately 2500 staff members, derived from the 2478 staff reported in the IMF Annual Report 2009. The figures for 2008 were based on a benchmark of 3000 staff.

indication that Fund staff is becoming increasingly aware of the Ethics Office as a valuable resource. Communicating the value to Fund staff of drawing preemptively upon the advisory capabilities of the Ethics Office continues to be a top priority.

Advisory Cases

The Ethics Office received 117 requests for advice in 2009 compared with 141 received during the 2008 reporting period. The decrease may reflect a possible leveling out of requests for advice resulting from the effects of the restructuring. The absence of an Ethics Advisor for much of the reporting period may also have been a contributing factor. Questions concerning the potential misuse of Fund resources rose significantly from one case to 13. However, actual allegations in this category were less than half those received in 2008. It is too early to determine if there is a correlation between questions asked, answered, and potential problems preemptively addressed but it bears watching. If this trend continues, it would be a clear indication that a proactive emphasis on training and outreach plays a strong role in effecting a corresponding decrease in allegations of misconduct.

Advisory Matters by Topic Groups – 2001 to 2009



Allegations

The total of 19 allegations of misconduct received in 2009, while less than the 31 received in 2008, also may reflect a possible leveling out of allegations resulting from the effects of the restructuring and the absence of an Ethics Advisor for much of the reporting period. The nature of allegations requiring investigation in 2009 included:

Workplace Fairness

- Harassment

External Compliance

- Household Obligations (G4/G5 and tax issues)

Conflicts of Interest

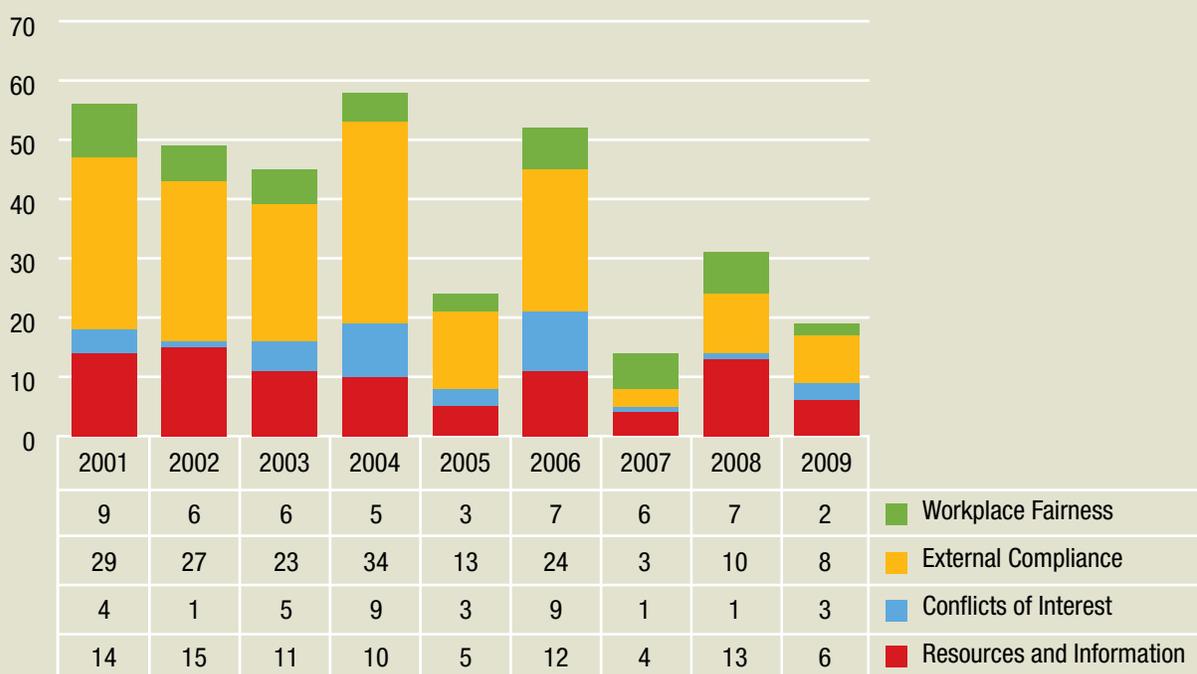
- External Activities
- Gifts

Resources and Information

- Misuse of Resources
- Misappropriation of Funds

As noted in last year's Annual Report, continuing cooperation among the Fund units that investigate and resolve these matters—OIA, TGS Security, HRD, and FIN—has strengthened the Ethics program and better serves the needs and goals of the Fund.

Allegations by Topic Groups – 2001 to 2009



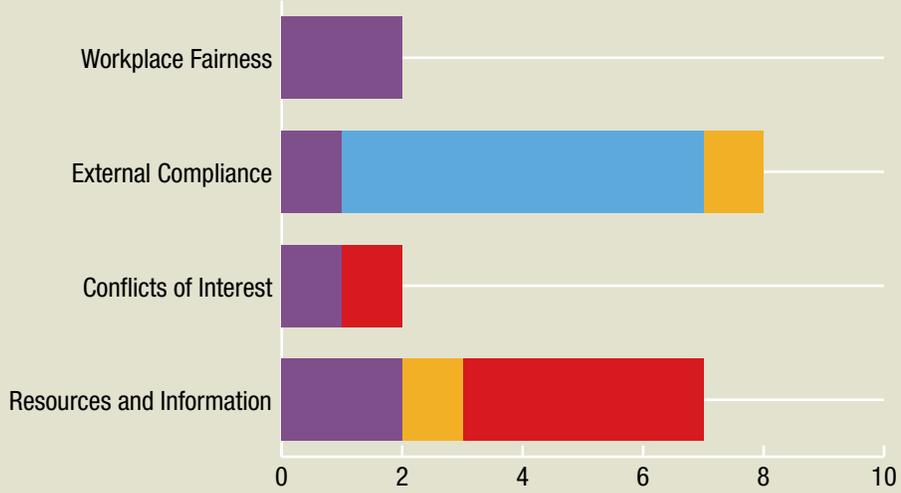
Investigations and Outcomes

The Ethics Office carefully reviews all allegations of misconduct. Investigations are guided by the principles of thoroughness, fairness, confidentiality, and freedom from reprisal.

Six allegations received in 2009 were withdrawn, dismissed, or closed for insufficient information. Of the remaining 13 allegations, six were informally resolved; five resulted in a finding of misconduct; and two were pending. Of the five in which misconduct was found, four involved misuse of resources or misappropriation of funds. Of the five instances where misconduct was found, three involved regular staff and two involved local staff and a vendor. Two of the financial matters involved Resident Representative offices.

The Ethics Advisor does not make decisions regarding whether or not to take disciplinary action. The Ethics Office submits Reports of Investigation to the Director of Human Resources in cases involving A-level staff, or to the Managing Director for matters related to B-level staff and they decide whether any disciplinary measures should be taken.

Investigation Outcomes by Topic Groups – 2009



	Resources & Information	Conflicts of Interest	External Compliance	Workplace Fairness
Misconduct Found ■	4	1		
No Misconduct ■				
Pending ■	1		1	
Informal Resolution ■			6	
Dismissed or Withdrawn ■	2	1	1	2

Section 2

Report on the Integrity Hotline



Launched in June 2008, the Integrity Hotline enables Fund staff and the general public to report misconduct on a convenient and confidential basis, to express concerns, and to obtain information. A secure and anonymous whistleblower system has become increasingly common and expected in leading organizations around the world. The Fund's establishment of the Hotline reinforces its commitment to provide a strong ethics program consistent with best practices at other international organizations and to fully protect employees against any form of retaliation.

An Oversight Committee oversees the operations of the Hotline by conducting periodic reviews, promoting awareness, and recommending operational changes. The Oversight Committee meets quarterly and provides biannual reports to Management and an annual report to the External Audit Committee.

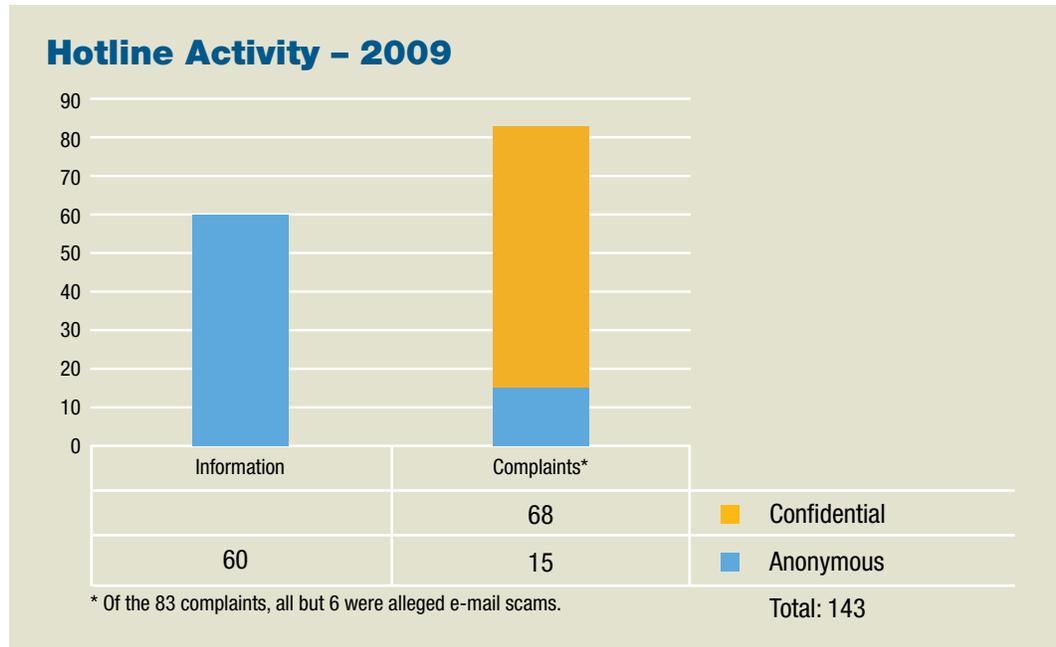
The Hotline is available worldwide, 24/7 via a toll-free number or the internet. Any person may contact the Hotline and remain anonymous. Calls and web reports are received by Global Compliance, an independent company with extensive hotline experience.

Global Compliance provides reports of all Hotline calls and web reports to the Ethics Office for review. Matters involving an Executive Director or the Managing Director are referred to the Board. In all other matters, the Ethics Office determines the appropriate next step, including informal resolution, follow-up and investigation, referral to another department, or no action. Investigations of staff misconduct follow the Fund's Procedural Guidelines for Conducting Inquiries into Allegations of Misconduct.

Calls and web reports to the Hotline are initially categorized by Global Compliance as either (1) information referrals or (2) initial reports. Global Compliance also records whether the call or web report is confidential (i.e., contains identifying information about the complainant) or anonymous.

In 2009, the first full year of operations, there were 143 calls and web reports to the Hotline. Continuing the trend seen in 2008, the majority of the calls and web reports related to email scams or requests for information. The remainder were substantive complaints. (Note: Hotline statistics are tracked separately from allegations and advisory matters that are reported directly to the Ethics Office. See Section 1 of this report.)

Alleged email scams—which improperly use the Fund's name in an attempt to appear legitimate—constitute the majority of calls and web reports to the Hotline. There were 77 reports of alleged email scams in 2009. All of the reports of email scams came from individuals outside the Fund,



who learned about the Hotline from the IMF’s external website. In each case, the Ethics Office provided Global Compliance with a response to the inquiry received.

By allowing persons outside the Fund to report concerns via the Hotline, the Fund continues to promote transparency and good governance.

There were 60 requests for information, including questions about how the Hotline operates, or requests for various resources at the Fund. None of these callers provided any additional information, so no further action was taken.

As noted above, the Hotline was also used to report substantive allegations. Six substantive allegations were received in 2009, none of which would be considered frivolous. These involved: misuse of Fund resources; misconduct relating to household matters; a contractual dispute involving a Fund publication; and a question relating to the substantive role of the Fund. The complaints primarily concerned conduct of the staff, but in one instance, involved the conduct of a member of the Executive Board. This complaint was referred to the Chair of the Board’s Ethics Committee. Each of the other matters was informally resolved by the Ethics Office, investigated by the Ethics Office resulting in a finding of misconduct, referred to the appropriate Fund office for resolution, or closed without action based on insufficient information to support further inquiry. Thus, the Hotline continues to be a valuable resource for persons both within and outside the Fund.

The Ethics Office wants to ensure that the Hotline reflects the culture of integrity and fairness that the Fund seeks to reinforce and build upon. All Fund employees should be made aware of the Hotline, including regular staff, contractual employees, those stationed outside Headquarters, and locally hired staff. Accordingly, the Ethics Office is taking steps to increase staff awareness of the Hotline through posters, intranet news articles, the new Ethics website, and training. (Every training session given by the Ethics Office includes information about the Hotline.) In addition, staff feedback on how to further improve the Hotline is encouraged and will be actively solicited.

Section 3

Major Developments

Gift to Fund Official

In 2009, a staff member received a small case as a farewell present from a member country official, which later turned out to contain a large amount of cash. Subsequent arrangements were made to successfully return the cash gift.

The Acting Ethics Officer investigated the matter at the request of the Managing Director. A press release on the investigation was subsequently published. See, <http://www.imf.org/external/np/sec/pr/2009/pr09639.htm>.

This incident illustrates the importance of staff knowing the rules of conduct and complying to the fullest extent possible with those rules. The incident also highlighted the importance of seeking advice and guidance from the Ethics Office or other appropriate departments at the earliest opportunity.

To raise staff awareness about the ethics resources available to them, the Ethics Office is creating a training program that includes on-site field workshops and other means of communication, such as the website, to provide guidance regarding appropriate conduct. See Section 4 for details about this effort.

Review of the Fund's Standards of Conduct

A major priority is to update and implement the Fund's Standards of Conduct consistent with the highest level of internationally accepted norms. While the Fund's standards generally compare favorably with many leading institutions, some policies and rules require further consideration and most are in need of clarification. Moreover, they are contained in a wide array of documents such as the N-Rules, General Administrative Orders (GAOs), Staff Bulletins, and other policy directives. Advances in international standards of conduct highlight the need to develop policies that are current, concise, and easy to find. An effort to update this broad collection of information, including the Code of Conduct, is underway.

A Working Group was established in December 2008 to review, clarify, and revise, where appropriate, policies and rules relating to the Fund's Standards of Conduct. These were divided into four areas:

- **Workplace Fairness**
- **Conflicts of Interest**
- **Use of Resources and Information, and**
- **Legal Compliance**

Code of Conduct Benchmarking Study: A summary of recommendations

The study found that there are a number of ethical risk topics that are not adequately addressed by the current Code of Conduct. The study suggested ways to clarify the Code with respect to implementation and administration, and to update its presentation and design.

- The Code of Conduct should be expanded to address, revise, or enhance a number of risk topics that impact directly upon the Fund's reputation for ethical conduct. These include:
 - Core ethical values
 - Commitments to stakeholders
 - Conflicts of interest
 - Fraud, waste, abuse, and corruption
 - Use of Fund property and resources
 - Confidentiality of Fund and member country information
 - Whistleblower protection
 - Human rights protection
 - Safety and security
 - Competition
 - Employee privacy
 - Harassment, discrimination, and retaliation
- The Code of Conduct should be expanded to describe the Fund's ethics process and resources, clarify confidential ethics advisory services, and summarize the internal fact finding process used to address allegations of misconduct. The Code should specifically address:
 - Enforcement and discipline
 - Application and scope
- The presentation and design of the Code should be redesigned and updated, to include more user friendly features, learning aids and a more inclusive style and tone.

The kinds of ethical issues that predictably arise include:

- Protection of confidential information
- Prohibition on insider trading
- Conflicts of interest
- Charitable giving
- Political activity and speech
- Addressing fraud, waste, abuse, and corruption, including facilitation payments
- Impairment of independence
- Gifts, gratuities, and entertainment

The Fund must prepare itself to address this new environment.

The Group began work on the first topic area, Workplace Fairness, and concentrated on rules and policies pertaining to harassment, discrimination, close personal relationships, and retaliation. Findings and recommendations were sent to Management in May 2009.

Several issues and themes emerged:

1. Fund policies compare very well to other organizations in the areas of harassment and discrimination but should be articulated more clearly and concisely. Policies governing close personal relationships and retaliation are adequate but would be strengthened by instituting stand-alone directives and clarifying guidance.
2. A greater emphasis on prevention and early resolution should be made regarding many of the policies including Workplace Fairness.
3. Policies should be presented more succinctly with illustrative examples and guidance presented in separate documents.



The next subject area designated for review is Conflicts of Interest. Concurrent with this ongoing examination of all materials governing staff conduct is a review of the Code of Conduct handbook. An important first step in this regard—a benchmarking study—was undertaken in 2008. The study involved a comparison of the Code against similar policies at other International Financial Institutions, related public international agencies, and the private sector.

Several proposed changes resulted from that study and were enumerated in the Ethics Office's Annual Report of 2008. Most importantly, the study revealed that the Fund's Code is considerably out of date and does not adequately address a number of ethical risk topics. In addition, as with other documents pertaining to the Fund's Standards of Conduct, it does not adequately describe and clarify the Fund's ethics process and resources. As an example, because the Ethics Office was established in 2000—two years after the existing Code was written—no mention is made of the existence or functions of the office.

This comprehensive review is a challenging but essential undertaking and should be accomplished as expeditiously as possible. As the 2008 Ethics Office Annual Report noted, "Failure to modernize the Code of Conduct and the rules and policies upon which the Fund's ethical expectations are based" could "jeopardize the Fund's ethical framework."

4

Section

Looking Forward: Priorities

The Fund is dedicated to fostering an ethical environment

Training

A dynamic ethics program is integral to an organization's effort to build a reputation based on trust and respect. Fund personnel exemplify high ethical standards, good governance, and transparency to those with whom we globally partner.

To this end, a top priority of the Ethics Office is to put in place a meaningful and active training program aimed at enabling the Fund's staff to make decisions in a clearly understood ethics context. Diverse cultural perspectives and changing circumstances demand that an ethics program be grounded in best practices. Not just on paper, but through results-oriented action. Training is an essential component of such a program.

Training requirements are particularly needed among those personnel most likely to encounter ethics issues that could adversely impact the reputation of the Fund if not properly identified and resolved. Fund managers, Resident Representatives, long-term Technical Assistance Officers, and Procurement Officials fall into this category. The gift incident described in Section 3 vividly illustrates the importance of ethics instruction for these personnel.

The Ethics Office has matured into a valued resource since its establishment in 2000. Building ethical awareness, however, is not a static process. It requires the creative use of many forms of communication. A formalized training program is the next step in supporting the Fund's effort to constantly strengthen its ethics culture.



Ethics Website

A well-designed website is a critical component of an effective ethics program. It ensures easy access to all relevant ethics documents, FAQs, and links to related materials and provides timely, updated information. The Ethics Office is in the process of designing a new website, which will enable staff to become better acquainted with the information and counseling resources the office has to offer.

Fund staff will soon be more readily able to avail themselves of the rules that form the foundation of the Fund's ethics standards. In addition, guidance on key issues—including case studies—will be posted and regularly updated. This feature will be especially important as policies are updated and new or modified rules are instituted.

The Ethics Website is expected to be introduced in the summer of 2010 and fully functioning by the end of the year. The website promises to add a critical new dimension to the Ethics Office's ongoing efforts to broaden its channels of communication.

Revising the Code of Conduct

In addition to implementing a dynamic training program and building an informative website, a third priority of the Ethics Office is a comprehensive review of the Code of Conduct. As mentioned in Section 3, this exercise is taking place in tandem with an in-depth review of the Fund's Standards of Conduct.

Fostering a culture of ethics depends upon strong leadership and effective communication of policies, guidelines, and expectations to an institution's personnel. From implementing quality training to launching a new website, the Ethics Office is committed to presenting these policies and expectations in ways that will make them most useful to staff.

A concise, clearly articulated compilation of key rules contained in an easily accessible handbook provides staff with a ready reference guide—another resource with which to facilitate awareness of the Fund's standards governing staff conduct.

The Fund's Core Ethical Values

Integrity

We do what is right for our members, our communities, the Fund, and each other. We make hard decisions and tough choices. We do not compromise our values.

Impartiality

We are objective, neutral, and impartial in providing advice and in discharging our professional obligations. Our professional judgment is not influenced by partisan politics or outside authorities. We are responsible to our members and earn their trust and confidence every day.

Honesty

We tell the truth. We are straightforward in our actions and honest in our relationships. When we say we will do something, we follow through and honor our commitments.



The Ethics Perspective

Strong Leadership

Up-to-date Code of Conduct

Clear Guidance

Accessible Resources

Effective Training

IMF
INTEGRITY
HOTLINE
Anonymous/Confidential **24/7**
1-800-548-5384

Do you wish to report possible misconduct,
express concerns, or obtain information?
Call the Integrity Hotline.

Integrity Hotline

1-800-548-5384 (within North America)

<https://www.integrity-helpline.com/imf.jsp> (outside North America)

For Ethics Questions, call:

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