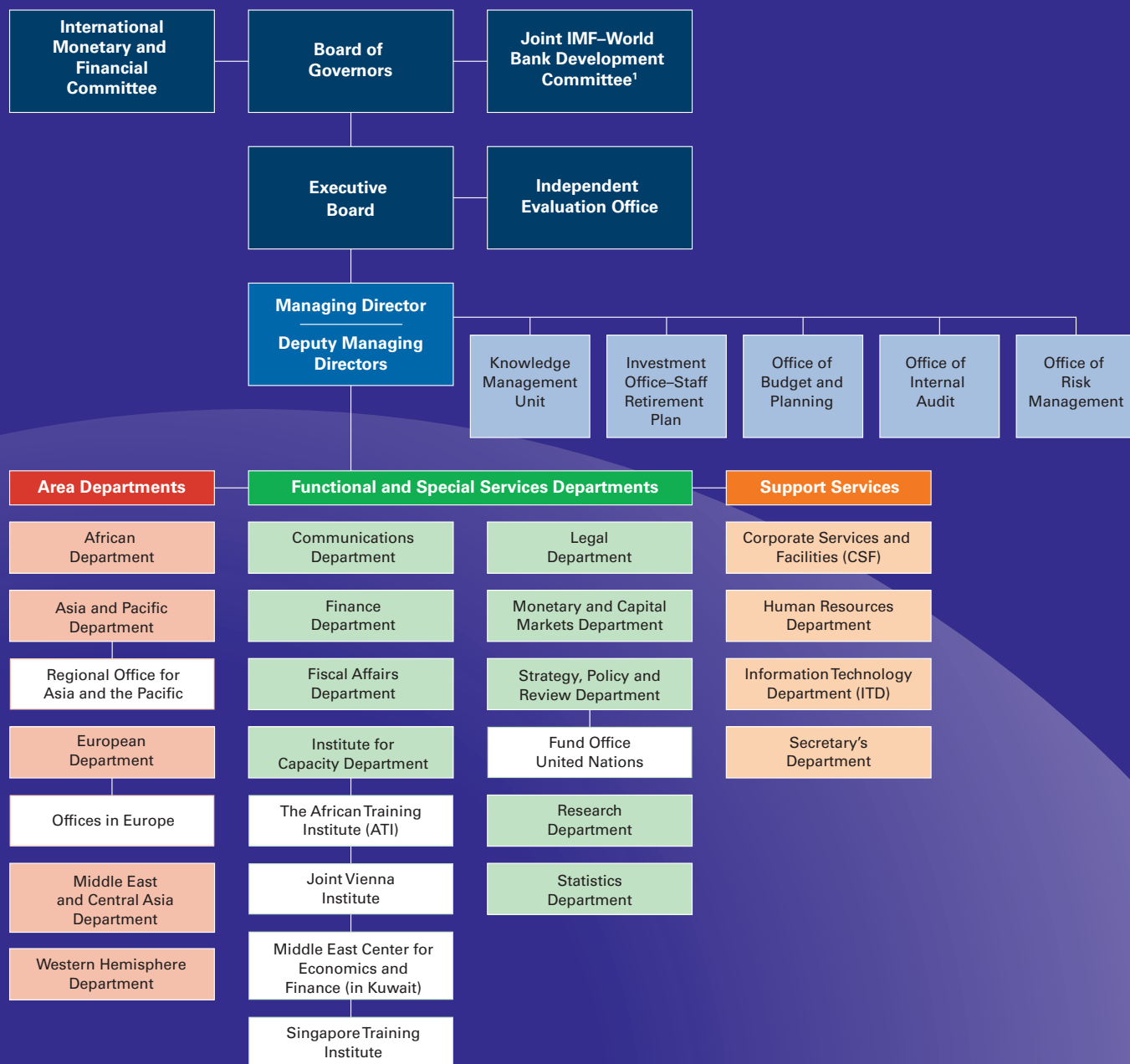


Part 3: Finances, Organization, and Accountability

IMF Organization Chart

as of April 30, 2018



¹ Known formally as the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.

BUDGET AND INCOME

Medium-Term Budget

In April 2017, the Executive Board authorized a net administrative budget for FY2018 of \$1,104 million, along with indicative budgets for FY2019 and FY2020 (*Table 3.1*). This was the sixth year in a row that the IMF's administrative budget remained flat notwithstanding increased resource pressure and a robust medium-term income position. The Board also approved a

limit on gross expenditures of \$1,359 million, including up to \$44 million in carry-forward of unspent FY2017 resources for possible spending in FY2018. The approved capital budget was \$66 million for building and information technology capital projects.

The IMF FY2018 budget supported intensified work in several priority areas and covered increased costs for corporate modernization. Additional resources were reallocated to enhance country engagement; further strengthen financial

Table 3.1
Budget, by major expenditure category, FY2017–20
(Millions of US dollars)

	FY2017		FY2018		FY2019	FY2020
	Budget	Outturn	Budget	Outturn	Budget	Budget
Administrative expenditures						
Personnel	934	922	969	962	994	...
Travel ¹	123	115	126	121	134	...
Buildings and other	205	218	209	209	214	...
Contingency reserves	11	...	11	...	12	...
Unallocated ²					17	
Total gross expenditures	1,273	1,255	1,315	1,309	1,371	1,395
Receipts ³	-200	-189	-211	-211	-236	-240
Total net budget	1,072	1,066	1,104	1,099	1,135	1,155
Carry-forward ⁴	43	...	44	...	46	...
Total net budget including carry-forward	1,116	1,066	1,148	1,099	1,181	1,155
Total gross budget including carry-forward	1,316	1,255	1,359	1,309	1,417	1,395
Capital⁵						
Facilities and information technology	61	122	66	116	71	70
<i>Memorandum item</i>						
Total net budget: In FY18 dollars	1,104	1,097	1,104	1,104	1,110	1,104

Source: IMF Office of Budget and Planning.

Note: Figures may not add to totals due to rounding.

¹ FY2019 includes travel to the Annual Meetings held abroad.

² Unallocated expenditures for externally financed projects.

³ Includes donor-financed activities, cost-sharing arrangements with the World Bank, sales of publications, parking, and other miscellaneous revenue.

⁴ Resources are carried forward from the previous year under established rules.

⁵ Capital budget appropriations can be spent over three years. The budget represents the annual appropriations, whereas the outturn includes spending from appropriations of previous years.

sector policy work, with a better integration of macrofinancial analysis and support for the Financial Sector Assessment Program (FSAP); deepen work on a range of macrostructural topics; and expand anti-money laundering/combating the financing of terrorism, work under capacity development. Work on risk and knowledge management also increased. Corporate modernization included funding for information technology and human resources services and security spending. Savings from a variety of sources, including the closure of field offices in countries with concluding programs, the completion of some policy and analytical work, and departmental efficiencies, allowed the budget to remain flat.

Actual administrative expenditures in FY2018 totaled \$1,099 million, \$5 million below the approved net budget. The shortfall in spending was comparable to the previous year. Average vacancy rates remained at a historic low, with most departments fully staffed.

Capital spending in FY2018 took place largely according to plan. The largest spending, \$62 million, was related to the renovation of the HQ1 building. The project is expected to be completed in the fall of 2019. Other spending on building facilities, at \$22 million, mainly reflected investments in audiovisual capabilities, furniture, and facilities lifecycle replacements and improvements. Investments in information and technology, totaling \$31 million, provided increased protection against cybersecurity threats, improved data and knowledge management, and replacement of infrastructure that had reached the end of its useful life.

For financial reporting purposes, the IMF's administrative expenditures are accounted for on an accrual basis, in accordance with International Financial Reporting Standards (IFRS). These standards require accounting on an accrual basis and the recording and amortizing of employee benefit costs are based on actuarial valuations. *Table 3.2* provides a detailed reconciliation between the FY2018 net administrative budget outturn of \$1,099 million and the IFRS-based administrative expenses of \$1,284 million (SDR 904 million) reported in the IMF's audited financial statements for the year 2018.

INCOME MODEL, CHARGES, REMUNERATION, BURDEN SHARING, AND NET INCOME

Income Model

Since its establishment, the IMF has relied primarily on its lending activities to fund its expenditures. To generate additional income, the IMF established the Investment Account in 2006 and invested its reserves. In 2008, the Executive Board endorsed a new income model that involved the creation of an endowment funded by the profits from the limited sale of the IMF's gold holdings. Along with the new income model, the Fifth Amendment to the Articles of Agreement, which became effective in February 2011, authorized the broadening of the IMF's investment mandate to enhance the expected returns on its investments and further strengthen its finances over time. In January 2013, the Executive Board adopted these Rules for a new strategy for investing the IMF's reserves in August 2015 (for the fixed income subaccount) and again in March 2018 (primarily for

Table 3.2
Administrative expenses reported in the financial statements, FY2018

(Millions of US dollars, unless otherwise indicated)

FY2018 NET ADMINISTRATIVE BUDGET OUTTURN	1,099
TIMING DIFFERENCES	
Pension and postemployment benefits costs	198
Capital expenditure—amortization of current and prior years' expenditure	47
OTHER AMOUNTS NOT INCLUDED IN THE ADMINISTRATIVE BUDGET	
Capital expenditure—items expensed immediately in accordance with International Financial Reporting Standards	35
Reimbursement to the General Department (from the Poverty Reduction and Growth Trust and Special Drawing Rights Department)	(95)
TOTAL ADMINISTRATIVE EXPENSES	1,284
MEMORANDUM ITEM	
Total administrative expenses reported in the audited financial statements (millions of SDRs)	904

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 effective weighted average FY2018 US dollar/SDR exchange rate for expenditures of about 1.42.

the endowment subaccount). The investment strategy continues to aim at both preserving the real value of the endowment and generating income, taking into account the changing market environment, the public nature of IMF resources, and the need to safeguard the IMF’s reputation.

Charges

Reflecting the high levels of lending activities and the current low returns on its investments, the IMF’s main source of income continues to be charges levied on the outstanding use of credit. The basic rate of charge (the interest rate) on IMF financing comprises the SDR interest rate plus a fixed margin expressed in basis points. Under the rule adopted by the Executive Board in December 2011, the margin is established for a two-year period, subject to review before the end of the first year, to cover the IMF’s financing-related intermediation costs and allow for a buildup of the IMF’s reserves. The rule also includes a crosscheck to ensure that the rate of charge maintains a reasonable alignment against long-term credit market conditions. In April 2018, the Executive Board agreed to maintain the margin for the rate of charge at 100 basis points for the period through April 2020.

The IMF also levies surcharges on the use of large amounts of credit in the credit tranches and under Extended Arrangements. Following the effectiveness of the quota increases under the Fourteenth General Review of Quotas, the Executive Board revised the quota-based thresholds at which surcharges are applied to mitigate the effect of the doubling of quotas. Surcharges, referred to as level-based surcharges, of 200 basis points are levied on the use of credit above 187.5 percent of a member’s quota. In addition, time-based surcharges of 100 basis points are levied on outstanding credit above the same threshold that is outstanding for more than 36 months in the credit tranches or 51 months under the Extended Fund Facility.

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 (GRA). 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 and Liquidity Line Arrangements, during each 12-month period. Commitment

Box 3.1. HQ1 building renovation progress

Renovation of the older of the two IMF headquarters buildings (HQ1) in Washington, DC, continued in FY2018. Considerable progress was made; while the project is now over 80 percent complete, complex challenges remain.

Four office floors were reoccupied during FY2018. The remaining office space is under construction three floors at a time, with staff temporarily relocated to the IMF’s other building (HQ2) or leased space nearby. Other items to be completed include the building systems, elevator lobbies, and the roof.

The primary purpose for the extensive renovation is the essential replacement of aging and failing building systems. The project aspires to LEED (Leadership in Energy and Environmental Design) certification and incorporates green building design and construction practices intended to have a lower impact on the environment. When work is completed in 2020, the renovated building is expected to substantially cut energy bills and will help the IMF achieve the highest sustainability standards.

Greenhouse Gas (GHG) Emissions

The IMF continues to seek ways to reduce its GHG emissions through maximizing transportation efficiency, decreasing property shipment, reducing emissions associated with employee commuting, and purchasing energy from renewable sources.

10% of energy consumed by the IMF is from renewable sources, notably from wind farms in Texas.



Public areas of HQ1 reopened during the year.



Table 3.3

Arrears to the IMF of countries with obligations overdue by six months or more, by type as of April 30, 2018 (Millions of SDRs)

	Total	By Type	
		General Department (including Structural Adjustment Facility)	Trust Fund
Somalia	239.5	231.1	8.4
Sudan	966.0	882.9	83.0
Total	1,205.5	1,114.1	91.4

Source: IMF Finance Department.

fees are levied at 15 basis points, 30 basis points, and 60 basis points on amounts available for drawing up to 115 percent, between 115 and 575 percent, and over 575 percent of quota, respectively. Commitment fees are refunded when credit is used, in proportion to the drawings made. The IMF also levies special charges on charges that are past due 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 remunerated reserve tranche positions). The Articles of Agreement provide that the rate of remuneration shall be not more than the SDR interest rate or less than 80 percent of that rate. The basic rate of remuneration is currently set at the SDR interest rate, which is based on a weighted average of representative interest rates on short-term financial debt instruments in the money markets of the SDR basket currencies, subject to a floor of 5 basis points. The IMF also pays interest at the SDR interest rate on outstanding borrowings under the bilateral loans and note purchase agreements, and the enlarged and expanded New Arrangements to Borrow.

Burden Sharing

The rates of charge and remuneration are adjusted under a burden-sharing mechanism that distributes the cost of overdue financial obligations equally between debtor and creditor members. Income loss due to unpaid interest charges that are overdue for six months or more is recovered via burden sharing by increasing the rate of charge and reducing the rate of remuneration. The amounts thus collected are refunded when the unpaid charges are settled.

In FY2018, the adjusted rates of charge and remuneration averaged 1.681 percent and .671 percent, respectively.

Net Income

The IMF's net income in FY2018 was SDR .8 billion (\$1.1 billion), reflecting primarily income from the high levels of lending activity and income from the IMF's investments held in the Investment Account, and gains stemming from remeasurement of the IMF's defined-benefit liability. As required by the IFRS (amended International Accounting Standard 19, Employee Benefits), the net income for the financial year includes a gain of SDR 0.4 billion (\$0.5 billion) arising from the immediate recognition of the effects of changes in actuarial assumptions used in determining the IMF's defined benefit obligation of postemployment employee benefit plans.

Arrears to the IMF

Overdue financial obligations to the IMF amounted to SDR 1,205.5 million at the end of April 2018 (*Table 3.3*). At that time, two members—Somalia and Sudan—remained in protracted arrears (outstanding for more than six months) to the IMF. The two countries have accumulated arrears dating back to the mid-1980s, accounting for about 20 and 80 percent of the total arrears, respectively.

Under the IMF's strengthened cooperative strategy on arrears, remedial measures have been taken to address the protracted arrears. At the end of the financial year, Somalia and Sudan remained ineligible to use IMF resources.

HUMAN RESOURCES POLICIES AND ORGANIZATION

To be effective in the global economy, the IMF must recruit, retain, and recognize a highly qualified and diverse international staff. In FY2018, the IMF continued to develop its medium-term Human Resources Strategy and focus on training and leadership development of staff.

Workforce Characteristics

As of April 30, 2018, the IMF employed 2,314 professional and managerial staff and 430 support staff. A list of the institution's senior officers can be found on pages 98 and 99 and the organization chart can be found at the beginning of part 3.

Recruitment of 172 new staff in 2017 was significantly lower than the 2016 level of 218. In 2017, eight managerial staff, 134 professional staff, and 30 support staff were hired. The IMF requires economists to have advanced analytical and policymaking experience, and in 2017 it recruited 24 top university graduates through the Economist Program, and 64 experienced midcareer economists. Also, during 2017, 535 contractual employees were hired.

Six officials from Germany, Indonesia, Japan, Korea, and Sweden were hired into the Externally Financed Appointee (EFA) program in 2017. The EFA is a two-year contractual appointment, fully financed by member country authorities through a multidonor trust fund. The EFA is open to all member countries that wish to provide financing either for their officials or for officials from other countries. A total of 10 appointees from six countries are currently participating in the EFA program, with China expressing interest in contributing as well. *(For information on the distribution of IMF staff by nationality, gender, and country category, see Web Tables 3.1–3.3; view the IMF staff salary structure in Web Table 3.4).*

Diversity and Inclusion

The IMF strives to ensure that the staff is diverse in terms of geographic region, gender, and educational background. Of the IMF's 189 member countries, 146 were represented by the staff as of January 31, 2018. Nationals from underrepresented regions—sub-Saharan Africa, East Asia, and the Middle East and North Africa—accounted for 33 percent of all external hiring at the professional level in 2018. More information and data on ongoing efforts to improve diversity and inclusion at the IMF are available in the 2016–17 *IMF Diversity and Inclusion Annual Report*.

In 2017, IMF attained the ASSESS level of EDGE (Economic Dividends for Gender Equality) certification in recognition of its commitment to progress in monitoring, benchmarking, and

achieving workplace gender equality. “The diversity of our staff is inherent to who we are, and building inclusion is integral to what we do. We are proud of the progress we have made and we are determined to do more. We will continue to raise the bar on our performance, accountability, and transparency in these important areas,” IMF Managing Director Christine Lagarde said.

Office of Internal Investigations

The Office of Internal Investigations (OII), established in July 2016, conducts preliminary inquiries and administrative investigations into alleged misconduct of IMF staff and contracted personnel.

OII forms an integral part of the IMF's administrative discipline system, thoroughly examining possible violations of IMF policies while ensuring due process. The Office gathers findings and reaches conclusions independently, without interference from other offices or officials. OII investigations are governed by the principles of integrity, professionalism, fairness, impartiality, and objectivity.

Management Structure and Salaries

The Executive Board reviews IMF management remuneration periodically. The Board of Governors approves the Managing Director's salary. Annual adjustments are made based on the Washington, DC, consumer price index. As of July 1, 2017, the salary structure for management was as follows:

Managing Director	\$504,100
First Deputy Managing Director	\$438,330
Deputy Managing Directors	\$417,470

ACCOUNTABILITY

Risk Management at the IMF

Strategic direction is guided by the Managing Director's Global Policy Agenda, informed by continuous analysis of emerging issues affecting the international monetary system. Managing strategic risk requires establishing a clear strategic framework, supported by the medium-term budget, and responding to the evolving external environment.

Risks in the core functions relate to aligning surveillance, lending, and capacity development activities with the IMF's strategic direction and underlying objectives, while ensuring that the IMF financing model remains safeguarded. In managing lending risks—risks of programs not achieving their intended objectives—the IMF employs a multilayer framework with the primary tools focused on access, program design, and

conditionality. An adequate level of precautionary balances and the IMF's de facto preferred creditor status, which has been recognized by the official community and is generally accepted by private creditors, are integral parts of this framework.

Risks in cross-functional assets refer to the capacity of the IMF's human capital, technology, physical assets, and other

Box 3.2. Profiles of outgoing and incoming senior staff



NANCY ASIKO ONYANGO joined the IMF in February 2018 as Director of the IMF's Office of Internal Audit and Inspection. She brings more than 25 years of experience in internal audit, risk consulting, corporate governance, and IT risk management. She is a Certified Public Accountant and holds a Doctorate degree in business administration from the United States International University—Africa, in Nairobi, Kenya, in conjunction with the Columbia Business School.



CLARE BRADY served as Director of the IMF's Office of Internal Audit and Inspection from January 2014 through September 2017. Brady came to the IMF with more than 25 years of audit and risk management experience at the World Bank, Deutsche Bank, the Bank of England, and Barclay's Capital. She is a graduate of the London School of Economics.



MARTIN MÜHLEISEN took over as Director of the Strategy, Policy, and Review Department in September 2017; he joined the IMF in 1993. Previously, Mühleisen served as Chief of Staff in the IMF's Office of the Managing Director and in a variety of capacities across the IMF on a wide range of strategic, policy, country, and administrative issues. He holds a Master's Degree in Economics from Cambridge University and a Ph.D. summa cum laude in Economics from the University of Munich.



SIDDHARTH TIWARI retired from the IMF in September 2017 after serving as Director of the Strategy, Policy, and Review Department for six years and in a variety of other roles at the IMF for more than 32 years. As Director, he helped the IMF navigate the Ebola crisis response, introduction of the renmimbi to the SDR basket, and IMF quota reform. His many positions in the IMF included Resident Representative at the beginning of Russia's membership in the IMF, following the dissolution of the Soviet Union, and Deputy Director of the Africa Department at the time of the multilateral debt relief initiative, as well as IMF Secretary, leading interactions with the IMF's Executive Board and its membership. He holds a Ph.D. in Economics from the University of Chicago.



SUSAN SWART served as the IMF's Chief Information Officer and Director of the Information Technology Department from June 2012 through February 2018. Swart joined the IMF following a distinguished career at the U.S. State Department.



NADIA YOUNES served from 2014 to 2017 as the IMF's Diversity Advisor, where she was an advocate for diversity and inclusion and spearheaded efforts to qualify the IMF for the Economic Dividends for Gender Equality (EDGE) certification. She holds degrees from Boston University and University of Denver, where she specialized in intercultural communication and conflict prevention and management.

supporting elements to enable implementation of the strategic direction and avoid any disruption in effective performance of the core functions. Cross-functional risks also encompass income and investment risks.

Reputational risk refers to the possibility that stakeholders might take a negative view of the IMF, resulting in damage to its credibility and traction.

Audit Mechanisms

The IMF's audit mechanisms comprise an external audit firm, an internal audit function, and an independent External Audit Committee (EAC), which, under the IMF's bylaws, exercises general oversight of the annual audit.

EXTERNAL AUDIT COMMITTEE

The three members of the EAC are selected by the Executive Board and appointed by the Managing Director. Members serve three-year terms on a staggered basis and are independent of the IMF. EAC members are nationals of different member countries and must possess the expertise and qualifications required to carry out the oversight of the annual audit. Typically, EAC members have significant experience in 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, DC, each year, normally in January or February, to oversee the planning for the annual audit; in June, after the completion of the audit; and in July, to brief the Executive Board. The IMF staff and the external auditors consult with EAC members throughout the year. The 2018 EAC members were Kamlesh Vikamsey (Chair), a chartered accountant and senior partner in an accounting firm in India; Kathy David, a chartered accountant and partner in an international accounting firm in Antigua and Barbuda; and Kathryn Cearns, an independent consultant in the United Kingdom, providing advice on corporate reporting, auditing, and corporate governance.

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 the IMF's financial statements, including the accounts administered under Article V, Section 2(b), of the Articles of Agreement and the Staff Retirement Plan. At the conclusion of the annual audit, the EAC briefs the Executive Board on the results of the audit and transmits the report issued by the external audit firm through the Managing Director and the Executive Board for consideration by the Board of Governors.

The external audit firm is appointed for a term of five years, which may be renewed for up to an additional five years. PricewaterhouseCoopers was appointed as the IMF's external audit firm in November 2014. The external audit firm may perform certain consulting services, except for prohibited services, subject to robust safeguards to protect the audit firm's independence. These safeguards involve the IMF's External Audit Committee and, for consulting fees above a certain threshold, the Executive Board's approval.

OFFICE OF INTERNAL AUDIT

The Office of Internal Audit (OIA) is an independent assurance and advisory function designed to protect and strengthen the IMF. The OIA's mandate is twofold: (1) assessing the effectiveness of the IMF's governance, risk management, and internal controls; and (2) acting as a consultant and catalyst for improvement of the IMF's business processes by advising on best practice and development of cost-effective control solutions. To provide for its independence, the OIA reports to management, and maintains a functional reporting relationship with the EAC.

The OIA's FY2018 work program coverage included the processes for systems development and maintenance (SDLC), the operationalization of the results-based management initiative for capacity development, the talent acquisition program, and the IMF committee structure for risk management. The OIA's FY2018 coverage also included ongoing advisory support for the IHR program—which aims to deliver institutional value by modernizing the HR experience of staff, managers, and administrators—to provide early input on the program's progress. In addition, the OIA introduced two new approaches to reporting (Insight Notes and Good Practice Series) to

complement its traditional outputs. The OIA's first Insight Note covered the IMF's approach to issuing, updating, and enforcing its administrative policies. As part of its Good Practice Series (GPS) offerings, the OIA covered the topics of: (1) the "Three Lines of Defense" (3LoD) model for risk management; (2) Ransomware; and (3) the General Data Protection Regulation (GDPR) and data privacy.

The OIA also delivered the Ninth Periodic Monitoring Report on "The Status of Implementation Plans in Response to Board-Endorsed Recommendations of the IMF's Independent Evaluation Office (IEO)." This was the fourth such report prepared by the OIA. The report assessed the progress

made over the past year on actions contained in two new Management Implementation Plans (MIPs) arising from recent IEO evaluations, and another seven for which individual management actions were classified as "open" in the Eighth Periodic Monitoring Report.

The OIA also undertook an External Quality Assessment during FY2018, in line with professional auditing standards, and received the highest rating in the assessment.

The Executive Board is informed of OIA activities twice a year in an activity report that includes information on audit results and the status of overdue audit issues. The last informal Board briefing on these matters in FY2018 took place in January 2018.

Box 3.3. Managing risks with safeguards assessments

When the IMF provides financing to a member country, a safeguards assessment is carried out to obtain reasonable assurance that its central bank can manage the IMF resources and provide reliable program monetary data on the IMF-supported program. Safeguards assessments are diagnostic reviews of central banks' governance and control frameworks, and complement the IMF's other safeguards. They include limits on access, conditionality, program design, measures to address misreporting, and post-program monitoring. The assessments involve an evaluation of central bank operations in five areas: (1) the external audit mechanism; (2) the legal structure and autonomy; (3) the financial reporting framework; (4) the internal audit mechanism; and (5) the system of internal controls. (See Factsheet on "Protecting IMF Resources—Safeguards Assessments of Central Banks.")

At the end of April 2018, 305 assessments had been conducted, covering 96 central banks, nine assessments of which were completed in FY2018. The IMF monitors central bank progress as the banks work to improve their safeguards frameworks and address IMF recommendations. The monitoring continues for as long as IMF credit remains outstanding. About 60 central banks are currently subject to monitoring.

In 2015, a new requirement for fiscal safeguards reviews of state treasuries was established. According to the amended safeguards policy, the reviews follow a risk-based approach and apply to arrangements where a member requests exceptional access to IMF resources, and a substantial portion of the funds, at least 25 percent, is directed toward financing the state budget.

As part of the safeguards activity, regional seminars were conducted during FY2018 at the Joint Vienna Institute, in Austria; the Africa Training Institute, in Mauritius; and the IMF-Middle East Center for Economics and Finance, in Kuwait. The seminars highlighted international best practices and standards in safeguards areas at central banks, and provided a forum for central bank officials to share experiences. In addition, a high-level central bank governance forum was held in Dubai in March 2018 for bank officials and their external auditors. The forum covered board oversight, executive management decision-making structures, the role of the legal function, risk management practices, increased expectations on internal audit, implications of new financial technologies for central banks, and implementation challenges posed by the new international financial reporting standard, IFRS 9.

INDEPENDENT EVALUATION OFFICE

The Independent Evaluation Office (IEO) was established in 2001 to conduct independent and objective evaluations of IMF policies and activities. Under its terms of reference, the IEO is fully independent of IMF management and staff and operates at arm's length from the IMF's Executive Board. The IEO's mission is to enhance the learning culture within the IMF, strengthen the IMF's external credibility, and support the institutional governance and oversight functions of the Executive Board.

High-Level Panel for External Evaluation of the IEO

In October 2017, the Executive Board appointed a high-level panel to undertake an external evaluation of the IEO. The evaluation will assess how successfully the office has met its goals to serve as a means to enhance the learning culture within the IMF, strengthen the IMF's external credibility, and support the Executive Board's institutional governance and oversight responsibilities. The evaluators have discretion in the conduct of their investigation within this broad contour.

This is the third evaluation of the IEO and is expected to be concluded in 2018. The first and second external evaluations were commissioned and discussed by the IMF Executive Board in 2006 and 2013, respectively. The external evaluators held their first round of discussions in Washington, DC, during the 2017 Annual Meetings. The panel is chaired by Donald Kaberuka and includes two other members: Der Jiun Chia and Pernilla Meyersson.

Dr. Kaberuka is a Special Envoy: Financing the African Union and the Peace Fund and served as the President of the African Development Bank and Chairman of the Board of Directors for two successive five-year terms (2005–15). Chia is the Assistant Managing Director of the Markets and Investment Group at the Monetary Authority of Singapore. Meyersson is currently the Acting Chief of Staff at the General Secretariat of the Sveriges Riksbank.

New Guidelines on Staff Cooperation with the IEO

As part of the follow-up to address a number of issues raised in the evaluation of “The IMF and the Crises in Greece, Ireland, and Portugal,” as reported in the October 2017 “Progress Report

to the IMFC on the Activities of the Independent Evaluation Office of the IMF,” a protocol was agreed upon for cooperation between the IEO and IMF staff. The protocol was developed jointly by the Strategy, Policy, and Review Department and Legal Department staff and the IEO, in line with the existing rules, policies, and procedures governing the sharing of confidential information between staff and the IEO. The agreement clarifies the importance of staff's cooperation and the principle of open communication, the relevant protocols on information requests from the IEO and sharing of information by staff, and the confidentiality of shared information.

Executive Board Reviews of IEO Reports and Recommendations

THE IMF AND SOCIAL PROTECTION

Executive Directors stressed that social protection can be macrocritical, meriting IMF engagement in surveillance, programs, and technical assistance. They appreciated that the IMF had broadened and deepened its engagement in social protection issues in recent years in response to the needs of the membership. At the same time, they agreed that the IMF's approach to social protection needed to be refined and noted the Managing Director's support for the IEO recommendations.

Executive Directors supported the recommendation to establish a clear strategic framework to guide IMF involvement in social protection. The framework could be set out in a Board-approved staff paper (“institutional view”) that delineates the scope, objectives, and boundaries of IMF engagement in social protection. This would foster a consistent, evenhanded treatment of social protection issues across the membership.

Executive Directors broadly agreed with the recommendation to tailor advice to the member countries' circumstances, drawing on work by development partners or country authorities where available. Executive Directors supported the recommendation to find an effective approach to program design and conditionality to mitigate the adverse impacts of IMF-supported programs on the most vulnerable people across the membership.

Executive Directors supported the recommendation to realistically explain in external communications the IMF's

approach to social protection issues. They noted that clarity about the IMF's involvement in social protection would help sharpen external communications and avoid reputational risk to the IMF.

Executive Directors strongly supported the recommendation to engage actively and collaborate constructively with development partners and other international financial institutions, including the World Bank, to better leverage their expertise in social protection issues.

In line with established practices, management and staff gave careful consideration to the Board discussion in formulating the implementation plan, including approaches to monitoring progress.

THE IMF AND FRAGILE STATES

Executive Directors welcomed the report by the IEO on the IMF and fragile states. Executive Directors agreed that helping countries in fragile and conflict situations is a global priority, meriting close engagement by the IMF in its bilateral surveillance, program design and lending, and capacity development. They were pleased with the IEO's assessment of the IMF's critical role and important contributions to these countries, including helping them to restore macroeconomic stability, build core macroeconomic policy institutions, and catalyze donor partner support. Executive Directors welcomed the Managing Director's broad support for the IEO recommendations and agreed that more could be achieved through further efforts, taking into account the unique circumstances and challenges facing these countries.

Executive Directors broadly supported the recommendation calling for the Managing Director and the Executive Board to issue a statement on the importance of the IMF's work in countries in fragile and conflict situations that could be endorsed by the International Monetary and Financial Committee. Executive Directors noted that such a statement would need to be accompanied by concrete steps taken, with greater value placed on such action within the IMF.

Executive Directors generally agreed with the recommendation, and most Executive Directors welcomed the intention, to establish an effective institutional mechanism to better coordinate the work by the IMF and other stakeholders. In

this context, some Executive Directors cautioned that such a mechanism should not be duplicative or unduly resource intensive, while a few suggested that the mechanism be chaired by management.

Executive Directors also broadly supported the recommendation to develop forward-looking, holistic country strategies that integrate the roles of policy advice, financial support, and capacity building as part of the Article IV surveillance process. They stressed that requirements for such strategies would need to be flexible and adaptive to avoid being a bureaucratic administrative requirement, and should not overburden the Article IV process.

Executive Directors expressed different views on how the IMF should deliver financial support to countries in fragile and conflict situations, as proposed. They welcomed Managing Director Christine Lagarde's commitment to consider modifications to the IMF's lending toolkit in the context of the 2018 Review of Facilities for Low-Income Countries. Most Executive Directors saw merit in or were open to considering suggestions to raise the access limit for the Rapid Financing Instrument (RFI)/Rapid Credit Facility (RCF) and introduce shorter upper-credit tranche financial arrangements, while a number of Executive Directors emphasized that higher access to IMF resources may not be helpful to countries that mainly need grants. Executive Directors emphasized that these countries would benefit from entering into IMF arrangements primarily because of the catalytic role of these arrangements in mobilizing financial support from other development partners.

Executive Directors supported the recommendation to take practical steps to strengthen the impact of IMF capacity development support to countries in fragile and conflict situations, including increasing the use of on-the-ground experts, employing realistic impact assessment tools, and making efforts to ensure that adequate financial resources are available for capacity development work in these countries. The Executive Directors noted that weak absorption capacity and governance in fragile and conflict situations could limit capacity development effectiveness, which warrant particular attention. In this context, most Executive Directors saw merit in the idea of gathering support for a multidonor trust fund dedicated to such

capacity development, provided that a business case could be made to donors and that this would not undermine funding for the Regional Technical Assistance Centers. Executive Directors agreed on the importance of effective coordination with other capacity development providers and better tailoring capacity development work to the specific conditions and long-term needs of countries in fragile and conflict situations.

Executive Directors supported the recommendation that the IMF take steps to adapt its Human Resources Strategy to provide robust incentives for high-quality and experienced staff to work on individual countries in fragile and conflict situations, and to ensure that adequate budgetary resources are allocated to support their work. They called on the upcoming review of the HR strategy to proactively consider ways of providing stronger recognition of the staff's work in these countries to reduce turnover and attract more experienced staff, and to consider changes to recruitment practices. Executive Directors noted, however, that an increase in field staff presence in high-risk locations should be weighed against the paramount objective of protecting staff.

Building on feedback from country authorities and experts, staff undertook a review of the External Balance Approach (EBA) Methodology and external assessment process. Associated refinements were presented to the Executive Board in April and will be the basis of the external assessments being conducted this year.

IMF MULTILATERAL SURVEILLANCE

In October 2017, the IEO issued an update of the 2007 report *IEO Evaluation of IMF Exchange Rate Policy Advice, 1999–2005*. The update finds that the IMF had substantially overhauled its approach to exchange rate policy advice since 2007. The 2012 Integrated Surveillance Decision led to a more comprehensive approach that is widely accepted as a basis for exchange rate surveillance. The *External Sector Report*, launched in 2012, sets out an integrated picture of the external balances of major economies. Increased attention to spillovers and adoption of an institutional view on capital flow management has helped enhance IMF work in this area. Nonetheless, the update

identifies a number of ongoing challenges. The approach for assessing external balances and exchange rates continues to be contentious, in part reflecting differing views across the membership about the process of external adjustment. While recognizing progress made in enhancing the IMF's approach and analysis, Executive Directors continued to raise issues with the models used and the consistency and transparency of the analysis, leading to questions about the evenhandedness and traction of IMF advice on exchange rates.

The IEO Work Program

In addition to completing the projects discussed earlier, during FY2018, the IEO continued work on its evaluation of IMF financial surveillance and launched an evaluation of IMF advice on unconventional monetary policies and an update of the 2008 report "Governance of the IMF: An Evaluation."

The evaluation of IMF financial surveillance will assess the efficacy of the IMF's post-crisis efforts and its capacity for financial surveillance. It will analyze whether the institution's financial surveillance strategy addresses the weaknesses identified before the crisis. These weaknesses undermined the IMF's effectiveness in warning about mounting financial sector risks ahead of the global financial crisis and affected its capacity to respond to it. The evaluation will also examine the relevance, quality, and use of IMF surveillance activities and outputs, with a special emphasis on the analyses of systemic financial centers with the potential to undermine global stability.

The evaluation of IMF advice on unconventional monetary policies will take a detailed look at IMF advice to the major advanced economies carrying out unconventional monetary policies, and to a selection of advanced and emerging market economies that dealt with the impact of these policies. It will assess: (1) whether the IMF provided useful advice on the range of instruments available to central banks; (2) the likely efficacy of monetary policy relative to other policy options and the best policy mix; (3) and the broader repercussions associated with these choices for both the originating countries and the countries affected by spillovers. It will also determine how well the IMF performed its core mandate of promoting international

monetary cooperation, and was attuned to considerations of evenhandedness and multilateral consistency.

The update of the report “Governance of the IMF: An Evaluation” will focus on the role of the International Monetary and Financial Committee, the Executive Board, and management, and will assess the current relevance of the 2008 findings and recommendations, broadly grouped into the areas of effectiveness and efficiency, accountability, and voice. It will critically analyze the progress made in the past 10 years and will identify existing challenges and gaps in IMF governance. The update will also review developments and measures adopted beyond and outside the coverage of the original evaluation with a significant impact on the IMF’s governance.

Information on and documentation of the IEO’s evaluations are available at www.ieso-imf.org.

Implementation of Board-Endorsed Recommendations

In January 2018, the Executive Board approved the management implementation plan (MIP) for the report *The IMF and Social Protection*. In addressing the IEO recommendations endorsed by the Executive Board in July 2017, the MIP proposes to: (1) establish a clear strategic framework to guide IMF involvement in social protection; (2) provide tailored advice based on in-depth analysis of country situations, with the appropriate depth of IMF analysis depending on the scale of engagement by the World Bank or other organizations with greater expertise on social protection issues; (3) find more realistic and effective approaches to program design and conditionality to mitigate adverse impacts of programs on the most vulnerable; (4) realistically explain in external communications the IMF’s approach to social protection issues; and (5) engage actively in interinstitutional cooperation on social protection. The MIP notes that the Board underscored the need to be mindful of the IMF’s mandate, resource constraints, and comparative expertise in implementing these recommendations.

In early 2018, the IMF took important actions to follow up on earlier evaluations. In February, the Executive Board approved general guidance on IMF engagement with currency union-level

institutions when the policies of these institutions are critical to the success of IMF-supported programs—a step recommended in the 2016 evaluation “The IMF and the Crises in Greece, Ireland, and Portugal.”

Acting on recommendations of the 2016 IEO evaluation “Data at the IMF,” the Executive Board approved the March 2018 “Overarching Strategy on Data and Statistics at the Fund in the Digital Age.” Directors welcomed the strategy’s six strategic priorities: (1) an integrated approach to prioritizing the IMF’s evolving data needs; (2) the establishment of global data commons; (3) the use of big data and other innovations; (4) the seamless access and sharing of data within the IMF; (5) the production of data that are comparable across countries; and (6) the exploration of weaknesses in official data.

OUTREACH AND ENGAGEMENT WITH EXTERNAL STAKEHOLDERS

IMF outreach involves two objectives: (1) to listen to external stakeholders to better understand their concerns and perspectives and to improve the relevance and quality of IMF policy advice; and (2) to strengthen the outside world’s understanding of the IMF’s objectives and operations. The IMF’s Communications Department is primarily responsible for conducting the IMF’s outreach activities and engagement with external stakeholders.

The communications strategy has developed over time. Over the past decade, the IMF’s approach has evolved from increased transparency to more proactive engagement with the media and other stakeholders in order to explain the IMF’s policies and operations, enable the IMF to participate in and contribute to intellectual debate on important economic issues, and better facilitate two-way learning and dialogue with the IMF’s global membership.

The IMF uses communications as a strategic tool to help strengthen its effectiveness. Strategic engagement through available technologies, such as social media, videos, blogs, and podcasts, has formed an increasing part of the IMF’s

communications strategy. At the same time, in today's rapidly changing world, the IMF continues to reach out to a broader set of communication channels, including civil society organizations (CSOs) and private sector networks.

The IMF routinely engages with a wide range of nongovernment stakeholders, including parliamentarians, civil society organizations, labor unions, and youth leaders. Opportunities for such two-way dialogue enable the IMF to both explain its approaches and learn from others in order to improve its policy advice. Topics of particular interest and relevance in FY2018 included corruption, inequality, and social protection.

Parliamentarians

The IMF values its interactions with parliamentarians, who shape legislation and represent their constituents. Around 50 members of parliament (MPs) from 30 countries attended the 2017 Annual Meetings parliamentary workshop to discuss inequality, trade, social protection, corruption, energy subsidy reform, and fragile situations. In November 2017, 30 MPs from the Middle East and North Africa attended a regional conference in Morocco, and in March 2018, another group visited Vietnam. Nearly 170 MPs from over 60 countries attended the 2018 Spring Meetings Global Parliamentary Conference, where topics included international taxation, low-income country debt, gender, trade, corruption, and the global economy. The conference included a town hall discussion with Managing Director Christine Lagarde.

The IMF organized capacity-development workshops for parliamentarians at regional training institutes and technical assistance centers. In May 2017, MPs attended a two-day regional workshop in Singapore. In November 2017, a two-day workshop in Vienna included MPs from Central Asia and focused on fiscal policy rules, corruption, and energy subsidy reform. The IMF sponsored a three-day capacity building workshop in Dar es Salaam for MPs from East Africa, which

focused on the role of parliamentarians in accountability and oversight on economic and financial issues. In February 2018, a regional workshop in Vienna covered IMF program design, central banking, and financial sector supervision for MPs from eastern and southeastern Europe.

Civil Society Organizations

The IMF continued to engage closely with CSOs. Around 700 representatives of CSOs attended the 2017 Annual Meetings, one of the highlights of which was an event on inequality organized in partnership with Oxfam. The IMF also sponsored 30 CSO fellows and there were around 50 CSO Policy Forum sessions on topics including gender, inequality, debt, and international taxation. Managing Director Christine Lagarde engaged directly with CSOs at a town hall meeting. More than 1,000 CSO representatives attended the 2018 Spring Meetings. The IMF sponsored 15 CSO fellows and there were 43 CSO Policy Forum sessions, which covered topics including corruption and social protection.

The IMF engaged with CSOs on the Review of the IMF's Facilities for Low-Income Countries, the Capacity Development Strategy Review, the Review of the Debt Sustainability Analysis for Low-Income Countries, the Role of the Fund in Governance Issues, Social Safeguards and Program Design in Poverty Reduction Growth Trust and Policy Support Instrument Programs, and Public Wage Bills in the Middle East and Central Asia. Regional CSO workshops were held in countries including Ghana, Indonesia, and Morocco.

Labor Unions

Dialogue with labor unions continued through a variety of interactions. In February 2018, 38 labor union economists from 21 countries participated in the IMF-ITUC (International Trade Union Confederation) meetings in Washington, DC, where they interacted with senior IMF staff on topics including the global economic outlook, labor income shares and recent wage dynamics, inequality, and social protection. During the year, staff engaged with unions on topics including public wage bills and

social protection. Several of the IMF country teams that carried out pilot studies on inequality, gender, and climate change engaged with labor unions in Brazil, Czech Republic, Korea, Kosovo, Morocco, Nicaragua, and other countries. Many country teams routinely exchanged views with national unions as part of their economic surveillance and program missions.

Youth

The IMF has been increasingly engaging with young people. Through the IMF Youth Fellowship program at the 2017 Annual Meetings, the IMF sponsored the attendance of young entrepreneurs and academics from Botswana, Chile, and Germany. During the 2018 Spring Meetings, the IMF sponsored young leaders from Indonesia, Tunisia, and Zambia. At the 2017 Annual Meetings, the Youth Dialogue brought together a panel of young leaders to discuss the future of work. In the Middle East and North Africa, the IMF held a competition for young innovators. The IMF also ran an Instagram photo competition in the countries of the Southeastern Asian Nations (ASEAN) on inequality and climate change. IMF management regularly meets with young people. For example, in October 2017, the Managing Director met with students at Ewha University in Korea, and in February 2018, she met students at the Universitas Gadjah Mada in Indonesia. She also met with students at the University of the West Indies in Jamaica, and in Paraguay and Argentina.

Corporate Social Responsibility

Giving Together is the IMF's corporate giving program, which supports employees and retirees' giving back to communities, both local and international. It encompasses staff giving, disaster relief appeals, management donations, grants to local and international charities, and staff volunteering activities.

This year, the Giving Together campaign broke two records. A new record of 43 percent of staff participation surpassed the 2016 rate of 33 percent. Donations and pledges from staff and retirees for this fiscal year amounted to \$2.6 million, going toward 1,065 different charities around the world—

also exceeding last year's figure of \$2.5 million. The program organized disaster relief, matched by the IMF at 100 percent, for the victims of famine in sub-Saharan Africa and Yemen, and for the victims of Hurricane Irma in Dominica.

The IMF provides monetary grants to local and international charities that foster economic independence through the promotion of education and economic opportunities. In FY2018, \$110,000 was distributed to 18 charities in the Washington, DC, area, and \$100,000 was distributed to 12 international nonprofit organizations. Donations from IMF management aid grassroots charities that are focused on helping lift people out of poverty and provide education to the underprivileged. Donations totaling more than \$100,000 were made during management visits to various countries, including Albania, Benin, Burkina Faso, Cameroon, Djibouti, Ethiopia, Indonesia, Macedonia, Morocco, Nepal, and Tanzania.

There were several volunteering events during the year. In January 2018, 300 people assembled over 2,000 hygiene kits for victims of hurricanes in Puerto Rico and countries in the Caribbean. In March 2018, in celebration of International Women's Day, volunteers at the IMF assembled 2,500 "Women's Hope Kits" that were distributed to charities that provide housing, shelter, and services to women recovering from abuse or poverty who are starting a new chapter in their lives. Other volunteering activities included teaching financial literacy to local high school students and packing meals for local families in need.

Regional Offices

As the IMF's outpost in Asia and the Pacific, a region whose importance in the global economy continues to grow, the Regional Office for Asia and the Pacific (OAP) monitors economic and financial developments to bring a more regionally focused perspective to IMF economic surveillance. OAP seeks to enhance understanding of the IMF's policies in the region and to keep the IMF informed on regional perspectives on key issues.

In this capacity, the OAP is engaged in bilateral surveillance—currently on Japan—and has stepped up its participation in regional surveillance-related activities.

The OAP staff actively participates in forums in Asia, including the Association of Southeast Asian Nations plus China, Japan, and Korea (ASEAN+3); Asia-Pacific Economic Cooperation (APEC); Executives' Meeting of East Asia Pacific Central Banks (EMEAP); and the Pacific Island Countries Central Bank Governors Meeting. The OAP contributes to capacity development in the region through the Japan-IMF Scholarship Program for Asia, the Japan-IMF Macroeconomic Seminar for Asia, and other capacity building seminars. An example of the latter is the Regional Conference on Financial Inclusion in Asia-Pacific, held in Cambodia in December 2017. The Asia-Pacific Department organized the conference, and the IMF Regional Office for Asia and Pacific (OAP) cohosted the event with the National Bank of Cambodia (NBC). The office also conducts outreach and recruiting activities in both Japan and the rest of the region and engages in dialogue with Asian policymakers on current policy issues central to the IMF's work.

The IMF's Office in Europe, located in Paris and Brussels, serves as a liaison to EU institutions and member states, as well as to many international organizations and civil society in Europe. The office engages with institutions such as the European Commission, the European Central Bank, the European Stability Mechanism, and the European Parliament, as well as the Economic and Financial Committee and the Eurogroup Working Group on euro area and EU policies and country programs financed jointly by the EU and IMF.

The IMF's Office in Europe represents the IMF at the Organisation for Economic Co-operation and Development. The office also supports the IMF's operations in Europe, including economic surveillance, IMF-supported programs, and technical assistance, and helps to coordinate communication and outreach activities across the region. More broadly, it fosters dialogue on global economic issues with EU institutions, international organizations, governments, and civil society in Europe, and meets frequently with representatives from industry

associations, trade unions, think tanks, financial markets, and the media.

The office has organized several joint workshops and events, and convenes high-level policy lunches and background media briefings at least twice a year in Berlin, Brussels, London, and Paris to discuss the IMF's views on key challenges facing the European economy. The office's outreach activities include an external office newsletter that provides regular updates on IMF events and publications to key European stakeholders, an external website, and an active Twitter feed. Finally, the office supports IMF recruiting efforts by interviewing candidates at universities in several European countries.

Outreach by Resident Representatives

In 85 countries across the globe, the IMF has Resident Representatives who conduct a variety of outreach activities designed to improve understanding of the IMF's work and of macroeconomic issues, often in collaboration with local universities, governments, and nongovernmental organizations. Below are some examples from different regions.

In July 2017, Guatemala Resident Representative Gerardo Peraza presented the *Regional Economic Outlook* to the 280th Meeting of the Central American Monetary Council. Attendance included Central America and Dominican Republic governors and central bank officials. During Guatemala's 2018 Article IV consultation, the Regional Resident Representative office helped in the preparation of a seminar for public officials on analytical work used in the consultation, as well as a press conference that received wide coverage.

IMF outreach activities in Honduras, coordinated by the office of Resident Representative Jaume Puig Forne, are focused on obtaining buy-in from different stakeholders of recommended policies and reforms under past and prospective IMF programs. This includes frequent contacts with business leaders, academia, private analysts, and opinion leaders to highlight: (1) the benefits of macroeconomic stability in terms of reduced country risk premia, as well as the balanced nature (in terms of revenue and expenditure measures) of fiscal adjustment under the program;

(2) the risk of external shocks in the economic outlook; and (3) the merits of institutional reforms, including the gradual transition to inflation targeting and a flexible exchange rate to strengthen macroeconomic management and adjustment to external shocks, as well as enhancements to governance and the business climate to attract new investment and support higher inclusive growth.

In Guinea Bissau, IMF Resident Representative Oscar Melhado organized a one-day conference that covered the key topics for the 2017 Article IV Consultation, including government finances and private sector development. This first-time event was inaugurated by the Prime Minister, several ministers, and business leaders and marked the opening of a new forum for a national dialogue on economic issues. In Rwanda, IMF Resident Representative Alun Thomas organized and co-taught a country-specific financial programming course. It was strongly appreciated by the authorities and is being used as a model for Resident Representatives elsewhere.

Over the past year, the Resident Representative in Armenia, Yulia Ustyugova, conducted various outreach activities to improve understanding of the IMF's technical assistance advice on upgrading fiscal rules. She participated in a live-stream discussion of the proposed revisions to the fiscal rules with representatives from the private sector, think tanks, and civil society; gathered different perspectives on the topic during several interviews; and examined fiscal rules during a conference with parliamentarians from the region. The National Assembly of Armenia approved the revisions to the fiscal rules in December 2017.

The IMF office in Georgia discussed important economic and financial developments and policy issues with a broad range of stakeholders, including civil society, the media, parliamentarians, the business community, trade unions, foreign investors, and the international community. The office also helped organize the visit of Deputy Managing Director Tao Zhang, which culminated in a presentation at Tbilisi State University on facing the challenges of building a modern Georgian economy, including through education system reform.

In Somalia, where the government faces a daunting range of state-building challenges, the Resident Representative has been

an advisor and a member of Somalia's Financial Governance Committee (FGC). The Resident Representative office also supports the delivery of intensive technical assistance missions financed through a trust fund. The FGC's advisory scope encompasses central bank governance, asset recovery, public procurement and concessions, public financial management reforms, and fiscal federalism. The FGC publishes periodic progress reports and has produced advisory notes on various financial governance issues.

In Tunisia, Resident Representative Robert Blotevogel exchanged ideas with members of the Finance Commission in Parliament in November 2017 on how to tackle Tunisia's economic and fiscal challenges. The IMF-World Bank Parliamentary Network hosted the event. The discussion focused on the best options for increasing revenue and reducing spending in a fair and equitable way and the problems posed by corruption and the informal economy. The event received significant attention on social media as an example of how the IMF engages with parliamentarians.

QUOTAS AND GOVERNANCE

Management: IMFC Selects First Chair from Sub-Saharan Africa

South African Reserve Bank Governor Lesetja Kganyago has been selected to chair the International Monetary and Financial Committee by members of the influential group. The policy advisory committee of the IMF's Board of Governors, which comprises 24 finance ministers and central bank governors, normally meets twice a year.



South Africa's bank governor since 2014, Kganyago is the first committee chair from sub-Saharan Africa. Many expect he will focus on the challenges facing emerging market and low-income countries.

Kganyago has chaired the IMF-World Bank Development Committee Deputies and the G20 Working Group on IMF Governance Reform. Earlier in his career in public service, as

Director-General of the National Treasury of South Africa, he steered public finance and financial markets reform. Among other leadership roles in African financial supervision, he is current chair of the Association of African Central Bankers. He also chairs the Financial Stability Board's Standing Committee on Standards Implementation.



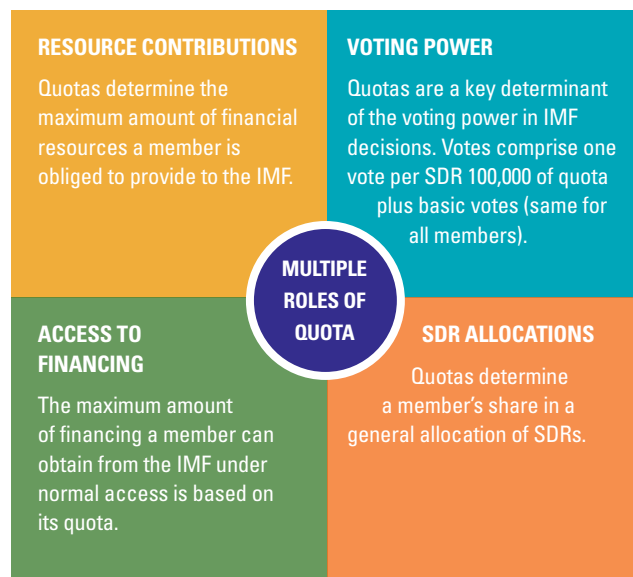
Kganyago's three-year term as IMFC chair began on January 18, 2018. He succeeds Agustín Carstens, former Governor of the Banco de México. Carstens resigned in December to become General Manager of the Bank for International Settlements.

Quotas: Where the IMF Gets Its Money

The IMF's 189 member countries provide resources for loans primarily through their payment of quotas, which also set voting rights. Multilateral borrowing and bilateral borrowing serve as a second and third line of defense in times of crisis. These resources give the IMF access to about \$1 trillion of nonconcessional lending firepower to support members. Concessional lending and debt relief for low-income countries is financed through separate contribution-based trust funds.

Each member is assigned a quota based on its position in the world economy. Quotas total SDR 477 billion (about \$686 billion), the IMF's unit of account whose value is a peg to a basket of currencies. The IMF also has access to multilateral resources worth about SDR 182 billion, while the bilateral borrowing arrangements provide access to SDR 316 billion. Borrowing channels come up for renewal at different times.

Quotas are also reviewed regularly. The fifteenth review, set to be completed next year, is an opportunity to match the size and composition of the IMF's resources to members' needs. It will build on governance reforms of the 2010 review, including efforts to protect the poorest members. The 10-year-old formula that is used as a guide for determining quotas is also under review. Illustrative simulations of possible changes to the formula are at www.imf.org.



Quota Payments Made in FY2018

The conditions for implementing the quota increases agreed under the Fourteenth General Quota Review were met on January 26, 2016. As a result, the quotas of each of the IMF's 189 members will increase to a combined SDR 477 billion (about \$686 billion) from about SDR 238.5 billion (about \$343 billion). As of April 30, 2018, 181 of the 189 members had made their quota payments, accounting for over 99 percent of the total quota increases, and total quotas stood at SDR 475 billion (about \$684 billion).

SPECIAL DRAWING RIGHT

The Special Drawing Right (SDR) is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. IMF members who are participants in the SDR Department (currently all members) may exchange SDRs for freely usable currencies.

Board Discussion of the Role of SDRs

On March 30, 2018, the Executive Board of the IMF discussed a staff paper titled "Considerations on the Role of the SDR."

The paper explores whether a broader role of the SDR could contribute to the smooth functioning and stability of the international monetary system. Most Executive Directors were uncertain or unconvinced that there is a role for the SDR in addressing the weaknesses of the international monetary system. A number of Directors, however, considered that there is a potential for the SDR to address these gaps and saw merit in continuing to explore its future role.

TRANSPARENCY

For authorities to make sound, informed decisions and for an economy to function smoothly, transparent economic policies and reliable data on economic and financial developments are vital. Current IMF policies, which aim to ensure meaningful and accurate information on the IMF's role in the global economy and in the economies of its member countries, are publicly available in real time.

With transparency, economies function more efficiently and reduce their vulnerability to crises. When member countries are more open about their policies, authorities are amenable to publicly discuss and examine these policies; make policymakers more accountable; enhance how credible the policies are; and facilitate efficient and orderly functioning of financial markets. Greater openness and clarity by the IMF about its own policies and its advice to member countries contributes to a better understanding of the IMF's own role and operations, building traction for the IMF's policy advice and making it easier to hold the institution accountable. Outside scrutiny should also support the quality of surveillance and IMF-supported programs.

The IMF's approach to transparency is based on the overarching principle that it will strive to disclose documents and information on a timely basis unless strong and specific reasons argue against such disclosure. The principle respects the voluntary nature of the publication of documents that pertain to member countries. Documents are posted on the IMF's website, www.imf.org.

The IMF deems that publishing country documents prepared for its Executive Board's consideration ("Board documents") is typically "voluntary but presumed," meaning that the

IMF strongly encourages publishing these documents. The publication of policy papers is presumed but subject to board approval. A Board document is published after receiving the relevant member's consent to publishing on a nonobjection basis. Multicountry documents are published after receiving consent from either the Board or the members involved, depending on the type of document.

The IMF engages the public and improves how it regards the institution by maintaining (1) transparency of surveillance and IMF-supported programs; (2) transparency of its financial operations; (3) external and internal review and evaluation; and (4) external communications. The IMF Transparency Policy is expected to be reviewed every five years; the most recent review was in 2013 (see the "Accountability" and "Outreach and Engagement with External Stakeholders" sections).

TRANSMITTAL POLICY

The IMF has a long history of exchanging documents with other international organizations and currency unions in accordance with the IMF's Transmittal Policy and other relevant IMF policies. The transmittal of certain Board documents, mostly relating to surveillance and use of IMF resources, facilitates closer cooperation and strengthens relationships to better serve member countries. In November 2017, the Executive Board approved amendments to the policy, which expand the range of documents that international organizations and currency unions may receive, while ensuring a consolidated, evenhanded approach to the transmittal of IMF documents.

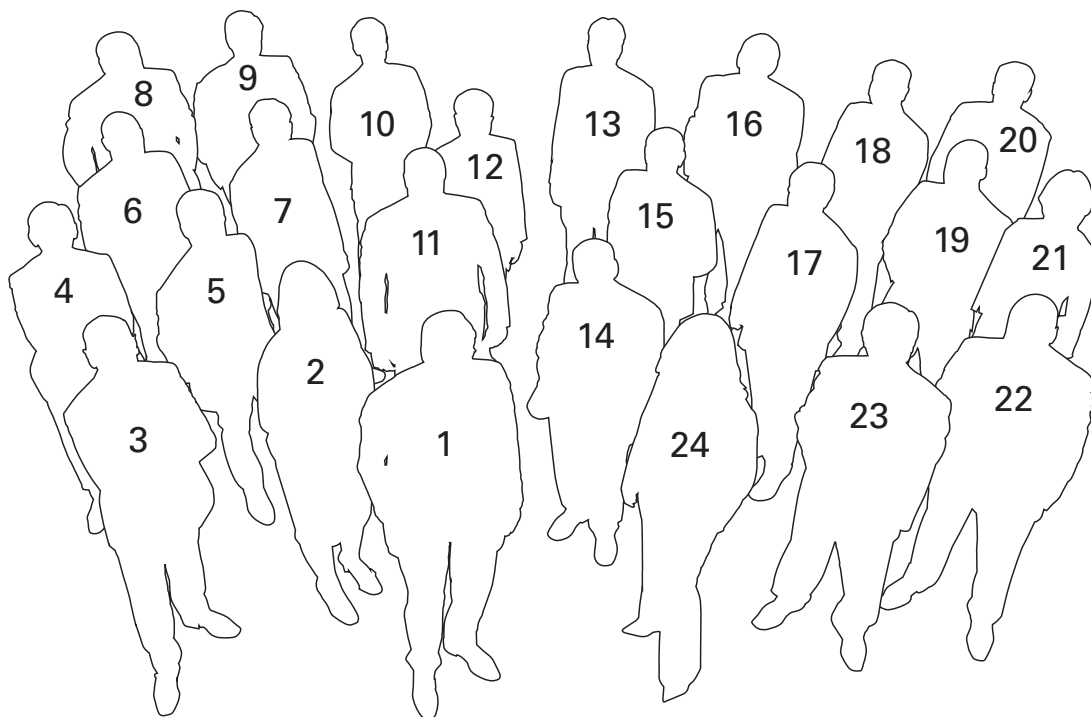
The Board also approved a policy framework for document sharing with RFAs. This new framework strengthens collaboration between the IMF and RFAs, by providing timely access to documents covered under the framework and improving coordination in cases of co-financing, thus enhancing the effectiveness of the global financial safety net.



IMF Executive Directors

as of April 30, 2018





1: Aleksei Mozhin, 2: Shona Riach, 3: Thomas Östros, 4: Juda Agung, 5: Miroslaw Panek, 6: Anthony De Lannoy, 7: Carlos Hurtado, 8: Subir Gokarn, 9: Mauricio Claver-Carone, 10: Steffen Meyer, 11: Alexandre Tombini, 12: Hohyun Jang, 13: Hervé de Villeroché, 14: Hazem Beblawi, 15: Jafar Mojarrad, 16: Alessandro Leipold, 17: Masaaki Kaizuka, 18: Adrian Armas, 19: Daouda Sembene, 20: Hesham Alogeel, 21: Nancy Horsman, 22: Maxwell M. Mkwezalamba, 23: Jin Zhongxia, 24: Michaela Erbenova

Executive Directors and Alternates (as of April 30, 2018)

Mauricio Claver-Carone United States
Vacant

Masaaki Kaizuka Japan
Yoshihito Saito

Jin Zhongxia China
SUN Ping

Anthony De Lannoy Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Netherlands, Romania, Ukraine
Richard Doornbosch
Vladyslav Rashkovan

Steffen Meyer Germany
Klaus Gebhard Merk

Carlos Hurtado Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, República Bolivariana de Venezuela
Jorge Dajani Gonzalez
José Alejandro Rojas Ramirez

Juda Agung Brunei Darussalam, Cambodia, Fiji, Republic of Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, The Philippines, Singapore, Thailand, Tonga, Vietnam
Edna Villa

Alessandro Leipold Albania, Greece, Italy, Malta, Portugal, San Marino
Michail Psalidopoulos

Hervé de Villeroché France
Armel Castets

Shona Riach <i>Vicky White</i>	United Kingdom	Hazem Beblawi <i>Sami Geadah</i>	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, Republic of Yemen
Hohyun Jang <i>Christine Barron</i> <i>Grant Johnston</i>	Australia, Kiribati, Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan, Vanuatu	Miroslaw Panek <i>Paul Inderbinen</i>	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan
Nancy Horsman <i>Anne McKiernan</i>	Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	Aleksei Mozhin <i>Lev Palei</i>	Russian Federation
Thomas Östros <i>Kimmo Virolainen</i>	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	Jafar Mojarrad <i>Mohammed Dairi</i>	Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, Tunisia
Michaela Erbenova <i>Omer Bayar</i> <i>Christian Just</i>	Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, Turkey	Hesham Alogeel <i>Ryadh M. Alkhareif</i>	Saudi Arabia
Alexandre Tombini <i>Pedro Fachada</i> <i>Bruno Saraiva</i>	Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, Trinidad and Tobago	Daouda Sembene <i>Mohamed-Lemine Raghani</i> <i>Herimandimby A. Razafindramanana</i>	Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo
Subir Gokarn <i>Mahinda Siriwardana</i>	Bangladesh, Bhutan, India, Sri Lanka	Adrian Armas <i>Gabriel Lopetegui</i>	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
Maxwell M. Mkwezalamba <i>Dumisani H. Mahlinza</i> <i>Vacant</i>	Angola, Botswana, Burundi, Eritrea, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia South Africa, Republic of South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe		





Management Team

(From left to right):

Mitsuhiro Furusawa

Deputy Managing Director

Carla Grasso

Deputy Managing Director and
Chief Administrative Officer

Tao Zhang

Deputy Managing Director

David Lipton

First Deputy Managing Director

Christine Lagarde

Managing Director

SENIOR OFFICERS (as of April 30, 2018)**AREA DEPARTMENTS**

Abebe Selassie	Director, African Department
Chang Yong Rhee	Director, Asia and Pacific Department
Poul Thomsen	Director, European Department
Jihad Azour	Director, Middle East and Central Asia Department
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Vivek Arora	Director, Office of Risk Management

Further Reading

PART 1: OVERVIEW

Introduction

The IMF's Key Roles

International Monetary Fund: <http://www.imf.org/external/index.htm>

Spotlights

1. Making the System Work Better

Policy Papers—2017 External Sector Report: <http://www.imf.org/en/publications/policy-papers/issues/2017/07/27/2017-external-sector-report>

Factsheet—Funds for Capacity Development: <https://www.imf.org/en/About/Factsheets/Sheets/2017/04/19/Funds-for-Capacity-Development>

Factsheet—Regional Capacity Development Centers: <http://www.imf.org/en/About/Factsheets/Sheets/2017/06/14/imf-regional-capacity-development-initiatives>

Policy Papers—Review of Flexible Credit Line and Precautionary and Liquid Line: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/12/19/pp121917-AdequacyOfTheGFSN>

2. Making Growth Sustainable

October 2017 *World Economic Outlook: Seeking Sustainable Growth*: <http://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

3. Making Growth Inclusive

October 2017 *Fiscal Monitor: Tackling Inequality*: <http://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017>

G-20 Leaders' Summit 2017 "Fostering Inclusive Growth": <http://www.imf.org/external/np/g20/pdf/2017/062617.pdf>

IMF Institute for Capacity Development, Training Catalog: Inclusive Growth courses: <http://www.imf.org/external/np/ins/english/training.htm>

4. Reducing Corruption

Press release—"Policy on Governance and Corruption": <http://www.imf.org/en/news/articles/2017/08/01/pr-the-role-of-the-fund-in-governance-issues-review-of-the-guidance-note>

5. Harnessing Technology for Good

Capitalizing on Good Times, April 2018 *Fiscal Monitor*: <https://www.imf.org/en/Publications/FM/Issues/2018/04/06/fiscal-monitor-april-2018>

REGIONAL HIGHLIGHTS

Sub-Saharan Africa's Untapped Revenue Potential May 2018 *Regional Economic Outlook* study: <http://www.imf.org/en/Publications/REO/SSA/Issues/2018/04/30/sreo0518>

IMF Staff Discussion Note 1803—Centralized Fiscal Capacity for the Euro Area: <http://www.imf.org/~media/Files/Publications/SDN/2018/SDN1803.ashx>

PART 2: WHAT WE DO

ECONOMIC SURVEILLANCE

Bilateral Surveillance

IMF Staff Discussion Note 2018—Interim Surveillance Review: <http://www.imf.org/~media/Files/Publications/PP/2018/pp030718-2018-interim-surveillance-review.ashx>

Policy Papers—"Use of Third-Party Indicators in Fund Reports": <http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/11/22/pp101217use-of-third-party-indicator>

Policy Advice

Policy Papers—The Managing Director's Global Policy Agenda: <http://www.imf.org/en/publications/policy-papers/issues/2018/04/18/md-spring-meetings-global-policy-agenda-041918>

Policy Papers—"Increasing Resilience to Large and Volatile Capital Flows—The Role of Macroprudential Policies": <http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/07/05/pp060217-increasing-resilience-to-large-and-volatile-capital-flows>

Staff Discussion Notes—"Trade-Offs in Bank Resolution": <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/02/09/Trade-offs-in-Bank-Resolution-45127>

Press release—"Taxation and the Sustainable Development Goals": <http://www.imf.org/en/news/articles/2018/02/16/pr1856-platform-for-collaboration-on-tax-first-global-conference-on-taxation-and-sdgs>

Press release—“The Taxation of Offshore Indirect Transfers”—A Toolkit: <https://www.imf.org/en/News/Articles/2017/07/31/pr17308-the-platform-for-collaboration-on-tax-invites>

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Policy Papers—“IMF-World Bank Debt Sustainability Framework for Low-Income Countries”: <http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/10/02/pp082217LIC-DSF>

Policy Papers—“Social Safeguards and Program Design in PRGT- and PSI-Supported Programs”: <http://www.imf.org/en/Publications/Policy-Papers/Issues/2017/06/01/pp042117social-safeguards-and-program-design-in-prgt-and-psi>

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OTHER TOPICS

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DATA

Policy Papers—“Overarching Strategy on Data and Statistics at the Fund in the Digital Age”: <http://www.imf.org/en/publications/policy-papers/issues/2018/03/20/pp020918imf-executive-board-supports-new-strategy-for-data-and-statistics-in-the-digital-age>

Policy Papers—“Measuring the Digital Economy”: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/04/03/022818-measuring-the-digital-economy>

IMF on Macroeprudential Policy: <http://www.imf.org/external/np/pp/eng/2013/061013b.pdf>

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IMF Macroeprudential Policy Survey data: <http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/04/30/pp043018-imf-annual-macroeprudential-policy-survey>

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IMF Database, Access to Microeconomic and Financial Data: <http://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C>

Fiscal Transparency Handbook: <https://www.elibrary.imf.org/view/IMF069/24788-9781484331859/24788-9781484331859/24788-9781484331859.xml?redirect=true>

PART 3: FINANCES, ORGANIZATION, AND ACCOUNTABILITY

Policy Papers—Income Model, Charges, Remuneration, Burden Sharing, and Net Income Investment Account Rules and Regulations: <http://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Rules-and-Regulations-for-the-Investment-Account-PP4734>

HUMAN RESOURCES POLICIES AND ORGANIZATION

IMF Senior Officials: <https://www.imf.org/external/pubs/ft/ar/2018/eng/related-material.htm>

IMF Staff by Nationality, Gender, and Country Category: <https://www.imf.org/external/pubs/ft/ar/2018/eng/web-tables.htm>

IMF Staff Salary: <https://www.imf.org/external/pubs/ft/ar/2018/eng/web-tables.htm>

INDEPENDENT EVALUATION OFFICE

Independent Evaluation Office: <http://www.ieo-imf.org/ieo/pages/IEOHome.aspx>

The Sustainable Development Goals (SDGs)

The SDGs were officially adopted by UN member countries at the UN Summit in New York in September 2015, replacing the expiring MDGs. The 17 SDGs focus on five key elements: people, planet, peace, prosperity, and partnership. The IMF is committed, within the scope of its mandate, to the global partnership for sustainable development. The IMF has launched a number of initiatives to enhance its support for its member countries in crucial ways as they pursue the SDGs.



Acronyms and Abbreviations

AML/CFT	anti-money laundering and combating the financing of terrorism	IMFC	International Monetary and Financial Committee
CCRT	Catastrophe Containment and Relief Trust	LIDC	low-income developing country
EAC	External Audit Committee	OIA	Office of Internal Audit and Inspection
ECF	Extended Credit Facility	PCI	Policy Coordination Instrument
EFF	Extended Fund Facility	PLL	Precautionary and Liquidity Line
e-GDDS	Enhanced General Data Dissemination System	PPM	post-program monitoring
EU	European Union	PRGT	Poverty Reduction and Growth Trust
FATF	Financial Action Task Force	PSI	Policy Support Instrument
FCL	Flexible Credit Line	RCF	Rapid Credit Facility
FM	<i>Fiscal Monitor</i>	REO	<i>Regional Economic Outlook</i>
FSI	Financial Soundness Indicator	RFI	Rapid Financing Instrument
FY	financial year	SARTTAC	South Asia Regional Training and Technical Assistance Center
G20	Group of Twenty industrialized economies	SBA	Stand-By Arrangement
GDP	gross domestic product	SCF	Standby Credit Facility
GFSR	<i>Global Financial Stability Report</i>	SDDS	Special Data Dissemination Standard
GPA	Global Policy Agenda	SDGs	Sustainable Development Goals
GRA	General Resources Account	SDR	Special Drawing Right
HIPC	heavily indebted poor country	SMP	staff-monitored program
ICD	Institute for Capacity Development	UN	United Nations
IEO	Independent Evaluation Office	WEO	<i>World Economic Outlook</i>

Letter of Transmittal to the Board of Governors

August 1, 2018

Dear Mr. Chairman:

I have the honor to present to the Board of Governors the Annual Report of the Executive Board for the financial year ended April 30, 2018, in accordance with Article XII, Section 7(a) of the Articles of Agreement of the International Monetary Fund and Section 10 of the IMF's By-Laws. In accordance with Section 20 of the By-Laws, the administrative and capital budgets of the IMF approved by the Executive Board for the financial year ending April 30, 2019, are presented in Part 3. The audited financial statements for the year ended April 30, 2018, of the General Department, the SDR Department, and the accounts administered by the IMF, together with reports of the external audit firm thereon, are presented in Appendix VI, as well as at www.imf.org/external/pubs/ft/ar/2018/eng. The external audit and financial reporting processes were overseen by the External Audit Committee comprising Mr. Vikamsey (Chair), Ms. David, and Ms. Cearn, as required under Section 20(c) of the Fund's By-Laws.

Yours very truly,



Christine Lagarde

Managing Director and Chair of the Executive Board



Access and download this publication along with appendix VI Financial Statements for FREE in two ways: either type the URL into a browser on your computer or tablet, or scan the QR code on this page. We hope you will visit the IMF Annual Report web pages and explore all the resources they contain.

www.imf.org/AR2018

This Annual Report was prepared by the Editorial and Publications Division of the IMF's Communications Department, in consultation with a working group from across the IMF. Christoph Rosenberg, Jeffrey Hayden, and Linda Kean oversaw the work of the report team, which was under the direction of the Executive Board's Evaluation Committee, chaired by Alexandre Tombini. Anthony Annett served as chief writer and S. Alexandra Russell and Denise Bergeron as project managers. Crystal Herrmann assisted with the digital design. Rumit Pancholi provided editorial assistance. Hyoun Woo Park provided administrative assistance.

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“To truly be successful,
we should act together.
Cooperation remains the
best way to create a more
prosperous future for
every nation.”

Christine Lagarde
Managing Director



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