

IMF Annual Report 2019

Our Connected World



Message from the Acting Managing Director

Dear Reader,

The global economy is at a delicate moment.

The expansion of early 2018 has lost momentum, in large part in response to rising trade tensions. There are threats from rising financial vulnerabilities and geopolitical uncertainties. These challenges call for policymakers to avoid missteps and to take the right policy steps: at home, across borders, and globally.

policies must create conditions for people to succeed



First and foremost, policies must create conditions for people to succeed. Smarter fiscal policies can reduce inequality by striking the right balance between growth, debt sustainability, and social protection. Appropriately calibrated structural reforms can boost productivity and long-term, inclusive growth, which is especially important for those who have been left behind. Tackling corruption in its various forms will be critical to governments' ability to build infrastructure and to expand public services. It will also help restore trust.

No issue looms larger on the global stage than trade. Over the years, trade integration has brought enormous benefits around the world. But not everyone has benefitted, and there are distortions in the trade system that need to be reformed. Collective action is important to uphold and modernize the international trade system.

It is also time to rethink the international architecture for corporate taxation to make it more fair, reflect changes in the global economy, and serve the interests of emerging and developing countries.



no issue looms larger on the global stage than trade

Finally, countries must work together to confront common challenges: from climate change to rapid technological change.

As can be seen from this *Annual Report*, our Board of Executive Directors and staff are hard at work serving the IMF membership—with policy advice, lending programs, and capacity development. In addition to several major reviews looking at IMF conditionality, economic and financial surveillance, and lending facilities, we have deepened our analysis on trade spillovers and financial stability, and are revamping our frameworks for debt sustainability assessment in low-income and market access countries. We have stepped up our analysis of financial technology, the digital economy, and the future of work, and mainstreamed our work on inequality and gender issues. We continue to engage with our members in achieving the Sustainable Development Goals.

Recently, our Managing Director, Christine Lagarde, has decided to move on to new challenges. During her eight years at the helm, the IMF has been transformed—in purpose, in effectiveness, and in reputation. Her vision and commitment came at a crucial moment for the global economy. I take this opportunity to thank her for her stellar leadership of our institution. I am confident that with the right policies and by working together, the IMF can continue to help our members steer the global economy through this delicate moment.



countries
must work
together
to confront common
challenges



David Lipton
Acting Managing Director

Contents



PART 1: Overview

Introduction	1
Message from the Acting Managing Director	1
About the IMF	4
Spotlights—Joint Responsibility, Shared Rewards	4
Making the Case for Trade	5
Deepening Financial Stability Analysis	8
Dealing with Debt	11
Harnessing Digital Dividends	14
Promoting Global Opportunities	17
Regional Highlights	20
Asia and the Pacific	20
Sub-Saharan Africa	22
Europe	23
Middle East and North Africa	26
Western Hemisphere	27



PART 2: What We Do

Economic Surveillance	30
Introduction	31
Bilateral Surveillance	31
Regional Surveillance	32
Multilateral Surveillance	32
Policy Advice	33
Financial Sector	34
Fiscal Issues	35
Other Issues	38
Data	38
Lending	42
Nonconcessional Financing Activity	43
Concessional Financing Activity	50
Policy Coordination Instrument	51
Policy Support Instrument	52
Post-Program Monitoring	53
Capacity Development	54
Introduction	55
Highlights: Fiscal	57
Highlights: Monetary	59
Highlights: Statistics	60
Highlights: Legal	62
IMF Capacity Development in Numbers	65
Partnerships for Capacity Development	68
Global Thematic Funds for Capacity Development	69
Regional Capacity Development Centers	69

Figures

1.1 The costs of trade tensions	6
1.2 Risks have risen	10
1.3 What governments own and owe	12
1.4 Asia employs 65% of the world's manufacturing robots	16
1.5 Confronting the financing gap	19
1.6 Long-term impact of Brexit	23
1.7 Car and car parts gross exporters to the US, 2017	25
1.8 Distribution of loss from US tariffs on imports of cars and car parts	25
1.9 Restoring sustainability	27
2.1 Arrangements approved in the General Resources Account during financial years ending April 30, 2010–19	44
2.2 Nonconcessional loans outstanding, FY2010–19	44
2.3 Concessional loans outstanding FY2010–19	50
2.4 Share of spending of major IMF activities, FY2019	64
2.5 Spending on capacity development, FY2015–19	64
2.6 Capacity development spending, by region, FY2016–19	65
2.7 Capacity development spending, by income group, FY2016–19	65
2.8 Capacity development spending, by topic, FY2016–19	65
2.9 Total training participation, by income group, FY2015–19	67
2.10 Total training participation, by participant region of origin, FY2015–19	67



PART 3: Who We Are

Who We Are	73
IMF Organization Chart	73
Executive Directors	74
2018 Regular Election of Executive Directors	76
Management Team	78
Senior Officers	80
Human Resources and Priorities	83
Our Resources and Governance	84
Budget and Income	84
Income Model, Charges, Remuneration, Burden Sharing, and Net Income	85
Quotas: Where the IMF Gets Its Money	88
Special Drawing Right	88
Accountability	89
Risk Management at the IMF	89
Audit Mechanisms	89
Independent Evaluation Office	91
Transparency	95
Outreach and Engagement with External Stakeholders	95
Further Reading	100
Acronyms and Abbreviations	103
Letter of Transmittal	104

The IMF’s financial year is May 1 through April 30.

The analysis and policy considerations expressed in this publication are those of the IMF Executive Directors.

The unit of account of the IMF is the SDR; conversions of IMF financial data to US dollars are approximate and provided for convenience. On April 30, 2019, the SDR/ US dollar exchange rate was US\$1 = SDR 0.721626, and the US dollar/SDR exchange rate was SDR 1 = US\$1.38576. The year-earlier rates (April 30, 2018) were US\$1 = SDR 0.695380 and SDR 1 = US\$1.43806.

“Billion” means a thousand million; “trillion” means a thousand billion; minor discrepancies between constituent figures and totals are due to rounding.

As used in this *Annual Report*, the term “country” does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

Tables

2.1 Arrangements approved in the General Resources Account in FY2019	43
2.2 Financial terms under IMF General Resources Account credit	46
2.3 Concessional lending facilities	48
2.4 Arrangements and outright loans approved and augmented under the Poverty Reduction and Growth Trust in FY2019	51
2.5 IMF thematic and country funds for capacity development	71
2.6 IMF regional capacity development centers	72
3.1 Budget by major expenditure category, FY2018–21	84
3.2 Administrative expenses	85
3.3 Arrears to the IMF of countries with obligations overdue by six months or more and by type, as of April 30, 2019	87

Boxes

2.1 Capacity development: GDP rebasing in IMF member countries	62
2.2 A regional technical assistance center for the Caucasus, Central Asia, and Mongolia	68
2.3 Celebrating 25 years of the Pacific Financial Technical Assistance Center	70
2.4 High-level peer-to-peer forum: Monetary policy in Association of Southeast Asian Nations Countries	71
3.1 Profiles of outgoing and incoming senior staff	82
3.2 HQ1 building renovation progress	86
3.3 Big 5 projects	87
3.4 Managing risks with safeguards assessments	90

About the IMF

The International Monetary Fund (IMF) is a global organization of 189 member countries set up to promote the health of the world economy. It works to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF, which oversees the international monetary system to ensure its effective operation, has among its key purposes to promote exchange rate stability and to facilitate the expansion and balanced growth of international trade. The IMF's mission enables countries (and their citizens) to buy goods and services from one another and is essential for achieving sustainable economic growth and raising living standards. All IMF member countries are represented on its Executive Board, which discusses the national, regional, and global consequences of each member's economic policies and approves IMF loans to help member countries address temporary balance of payments problems, as well as capacity-building efforts. This *Annual Report* covers the activities of the Executive Board and IMF management and staff during the financial year May 1, 2018, through April 30, 2019. The contents reflect the views and policy discussions of the IMF Executive Board, which has actively participated in the preparation of this *Annual Report*.

The IMF's Key Roles

The IMF focuses on three main roles:

Provide member countries advice on adopting policies to achieve macroeconomic stability, accelerate economic growth, and alleviate poverty.

Make financing available to member countries to help address balance of payments problems, including foreign exchange shortages that occur when external payments exceed foreign exchange earnings.

Offer technical assistance and training, when requested, to help member countries build and strengthen their expertise and institutions to implement sound economic policies.

IMF headquarters is in Washington, DC, and its offices around the world aim to promote the IMF's global reach and maintain close ties with its members. For more information on the IMF and its member countries, visit www.imf.org.

Spotlights

Joint Responsibility, Shared Rewards

Amid rising economic, financial, and political uncertainty, the IMF has intensified its effort to support international cooperation while responding to its member needs. Over the past year, IMF policy advice has focused on the following:

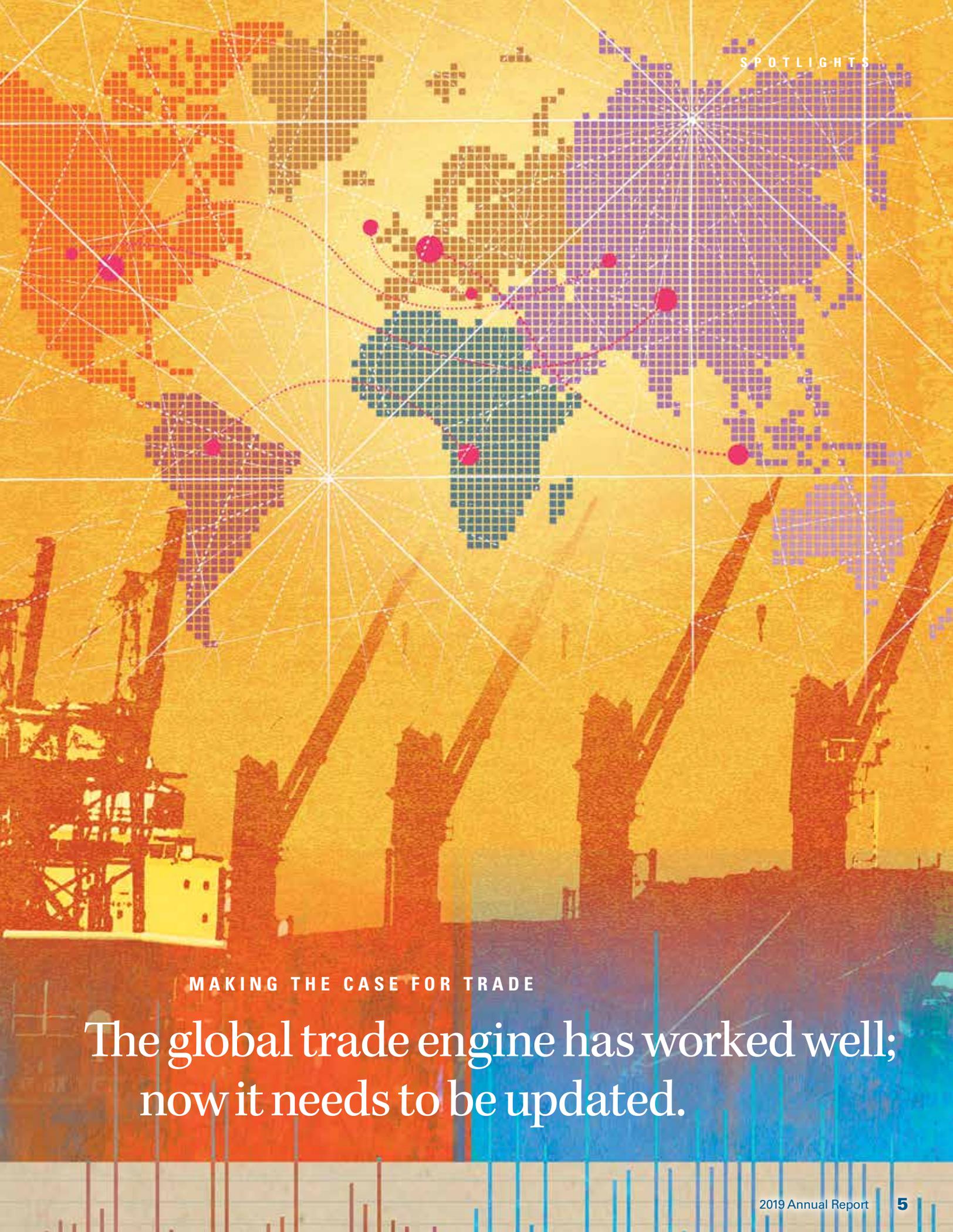
1 Making the case for trade by upholding the rules-based system (and calling for its update)

2 Deepening financial stability analysis to make the global financial system safer

3 Dealing with debt to reduce vulnerabilities and invest in people's futures

4 Harnessing digital dividends by upgrading economic and social policies

5 Promoting global opportunities through people-centered policies at home and globally



MAKING THE CASE FOR TRADE

The global trade engine has worked well;
now it needs to be updated.

Trade has been a huge driver of growth but lately has been questioned. The benefits of trade, which are often taken for granted, can come at a cost, which is often overlooked. At the same time, the system of global trade rules that has nurtured unprecedented economic growth across multiple generations is now facing tensions. These tensions are rooted in issues that have been left unresolved for too long. The IMF’s research has sought to shed light on these issues.

Building on earlier research that showed how trade can boost incomes and living standards by enabling the flow of technology across countries, the October 2018 *World Economic Outlook* (WEO) provided illustrative scenarios of the potential impact of escalating trade tensions between the United States and China. The analysis shows that the world as a whole would be worse off: global GDP losses would be 0.4 percent over the long term (equivalent to a \$340 billion drop in 2018 dollars), rising to nearly 1 percent in the United States and 1.6 percent in China in 2019. A large part of that decline would come from the negative impact of tariffs on confidence (lower investment) and tighter financial conditions (higher spreads).

The April 2019 WEO further showed that bilateral trade balances—the difference in the value of exports and imports between two countries—are driven more by macroeconomic policies than by tariffs. These policies can take the form of overly stimulative fiscal policy, which would raise overall demand and increase a country’s trade deficit, or subsidies to state-owned enterprises, which would give them a competitive advantage vis-à-vis foreign firms and

increase that country’s trade surplus. In addition, the report shows that bilateral tariffs are ineffective in addressing external imbalances—due to trade diversion. The report further argues that an open trade system is very important for sustaining investment and growth.

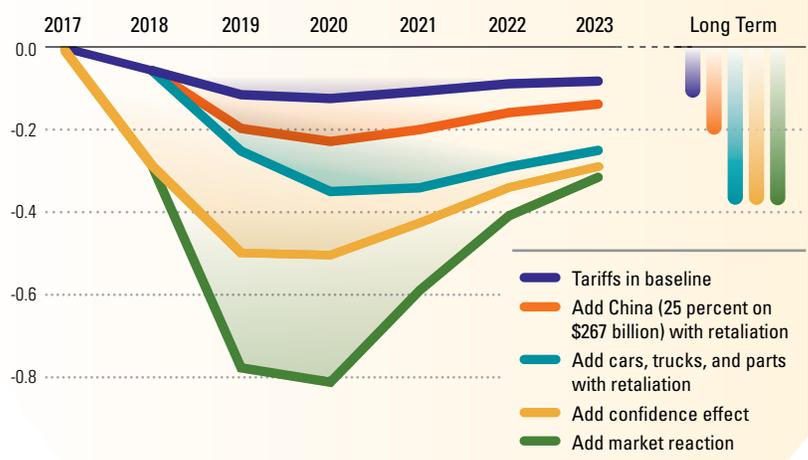
These findings are echoed in the 2018 *External Sector Report*. Global current account imbalances stood at about 3¼ of world GDP, of which 40–50 percent were deemed excessive and mostly concentrated in advanced economies. Left unresolved, a widening of these excess external imbalances could pose threats to global financial stability.

The system of trade rules established after World War II has delivered enormous benefits. Now it needs to be updated. As part of a larger discussion on trade, the Executive Board discussed ongoing staff analysis focused on modernizing World Trade Organization (WTO) negotiation, transparency, and dispute resolution functions. Updating WTO rules on industrial and agricultural subsidies provided by a range of entities, including state-owned enterprises, and on technology transfer are key elements toward a trade system that can work better for all countries.

FIGURE 1.1
The costs of trade tensions

Escalating trade tensions would reduce world GDP, not only through the disruption of the flow of goods but—more important—through confidence and financial effects. (Percent deviation from control)

Source: October 2018 WEO, Chapter 1.





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Trade integration in the Maghreb



Regional trade integration can be a powerful driver of economic prosperity. This is particularly true in the Maghreb region—covering Algeria, Libya, Mauritania, Morocco, and Tunisia. At only 5 percent of overall trade, intraregional trade is among the lowest in the world.

Geopolitical tensions and restrictive policies on trade and capital flows have stifled regional integration.

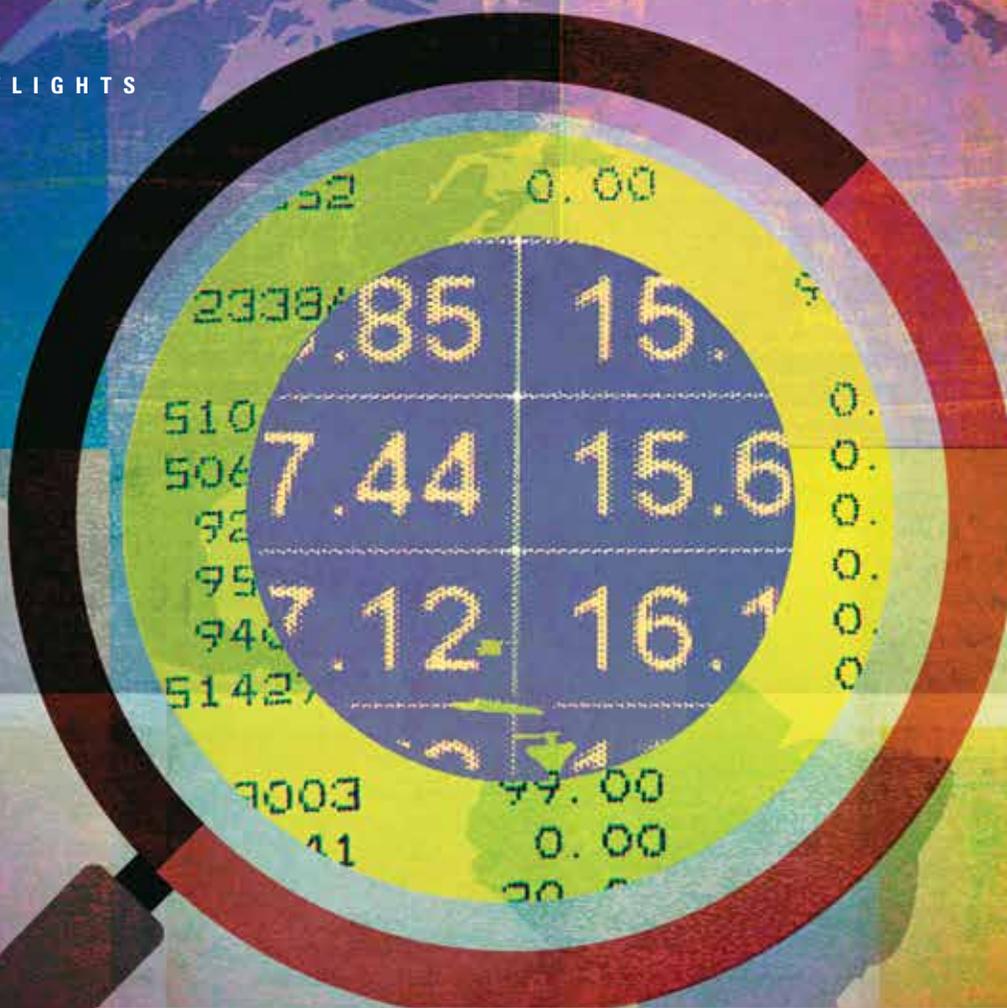
Greater regional integration would create a market of nearly 100 million people with an average annual income of \$4,000 per capita in nominal terms and about \$12,000 in purchasing-power-parity terms. This would make the region more attractive for foreign direct investment; reduce the cost of intraregional movement of goods, capital, and labor; and improve resource allocation. Intraregional integration could contribute to raising long-term growth in each Maghreb country by 1 percent on average.



BEHIND THE SCENES

Modernizing the international trade rules-based system

Did you know that when the WTO was established in 1994, e-commerce barely existed? Today, global business-to-business e-commerce sales amount to \$23.9 trillion. Advancing negotiations in emerging areas where international rules have lagged is therefore imperative. These include e-commerce and investment facilitation, including by using flexible approaches such as “coalitions of the willing.” Progress in these areas would go far in demonstrating that the multilateral trading system can adapt and remain relevant. The announcement by a group of 76 countries in January 2019 to begin negotiations on e-commerce attests to the great promise of using new modalities.



DEEPENING FINANCIAL STABILITY ANALYSIS

Making the global financial system safer is a work in progress.



Policymakers often wish they had a crystal ball to help them predict and prevent crises. With the scars of the global financial crisis still with us, the IMF staff and financial specialists have been hard at work to do just that.

The April 2019 *Global Financial Stability Report* (GFSR) presented a new analytical tool that can help policymakers gauge the likelihood of a housing downturn and take early steps to limit the damage. The tool, dubbed House-Prices-at-Risk, feeds into the growth-at-risk model, which links financial conditions to the danger of a severe economic downturn in the short to medium term. Based on five conditions that affect home prices, such as past price growth and credit booms, the analysis shows that in most advanced economies in the sample, the odds of a big drop in inflation-adjusted house prices were lower at the end of 2017 than 10 years earlier. In most emerging markets, by contrast, riskiness was higher in 2017 than on the eve of the global financial crisis.

The global financial crisis remains one of the defining events of our time. The severe economic and social fallout from the crisis forced a concerted effort toward a global regulatory reform agenda for the financial system. Ten years on, the October 2018 GFSR found that the regulation and supervision of the financial sector had strengthened considerably. Still, the reform agenda is not fully completed, and new risks have emerged, especially in the unregulated part of the financial system known as “shadow banking.” These developments call for regulators around the world to avoid complacency and for countries to replenish their policy arsenal. It is worth remembering that risk tends to rise during good times, and it migrates to new, unexpected corners of the financial system.

New risks have emerged, especially in the unregulated part of the financial system.

Overview





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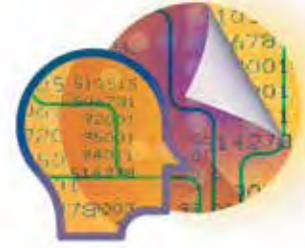
What is a leveraged loan?

There is a growing segment of the financial world that involves loans, usually arranged by a syndicate of banks, to companies that are heavily indebted or have weak credit ratings. These loans are called “leveraged” because the ratio of the borrower’s debt to assets or earnings significantly exceeds industry norms. The global market for such loans now stands at \$1.4 trillion. This has policymakers and analysts sounding an alarm on dangerous deterioration in lending standards.

Why? Because most of these loans involve weak underwriting standards and less investor protection, and they are less transparent. In addition, companies such as mutual funds and collateralized loan obligations, which are packaged loans that are resold to other investors, now hold a large portion of these leveraged loans, and it is not always clear what link these have with the banking sector. It is therefore crucial for policymakers to develop and deploy new tools to address deteriorating underwriting standards. Having learned a painful lesson a decade ago about unforeseen threats to the financial system, policymakers should not overlook another potential threat.

BEHIND THE SCENES

Tools for spotting risk



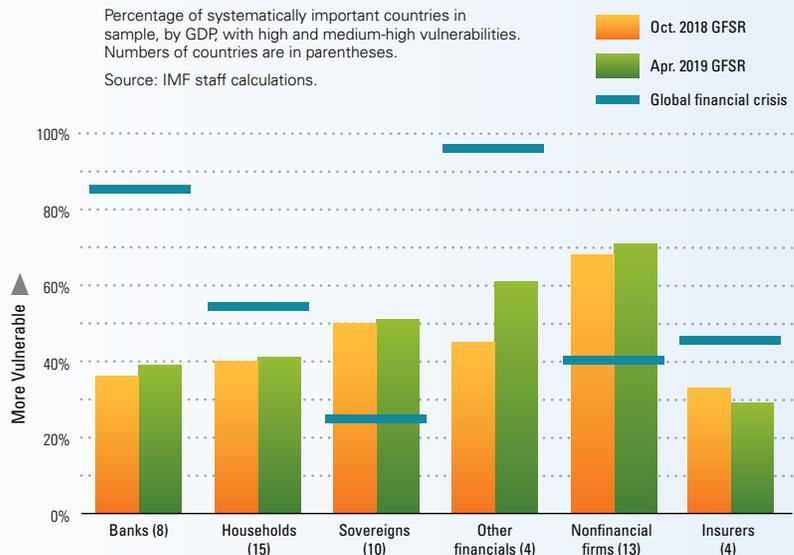
The April 2019 GFSR expands the IMF’s methodology to quantify vulnerabilities in the financial system, so policymakers can monitor them and take preventive steps if needed to mitigate risks. The framework encompasses six sectors: firms, households, governments, banks, insurance companies, and other financial institutions—such as shadow banks.

The framework tracks both the level and the pace of change along a variety of vulnerabilities, including leverage and mismatches in the maturity and liquidity of assets and liabilities, as well as currency mismatches. These vulnerabilities are tracked at regional and global levels, aggregating across 29 systemically important countries.

What types of risks did this framework uncover? In advanced economies, vulnerabilities were detected from rising corporate debt and financial risk taking, coupled with borrowers’ declining creditworthiness. In emerging markets, it was the expansion of benchmark-driven investment inflows, which leaves these countries more vulnerable to sudden reversals of capital flows.

FIGURE 1.2
Risks have risen

Governments and nonfinancial sector vulnerabilities have increased since the global financial crisis.





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-100,0009.35
-189,0055.25

DEALING WITH DEBT

High debt crowds out a country's ability to invest in people's futures.

Global debt—both public and private—is at an all-time high. It stood at \$184 trillion at the end of 2017, which is equivalent to 225 percent of global GDP. At moderate levels, debt in itself is not bad if it is used efficiently in growth-enhancing activities. Still, and while it does not necessarily signal a crisis, high debt often diverts resources from more productive spending.

For governments, interest payments on debt crowd out spending on education, health, and infrastructure, which are all investments in more sustainable and equitable growth. For firms, high debt means fewer resources to invest in expanding businesses and jobs.

High public debt also limits the ability of policymakers to increase spending or cut taxes to offset weak economic growth, especially if this risks an unfavorable reaction from financial markets or undermines the longer-term health of public finances. In other words, it reduces a country’s fiscal space. In May 2018, the Executive Board discussed the experience with the IMF’s new framework for measuring fiscal space. A key principle of this framework is that fiscal space is not determined just by a country’s level of public debt, nor is it a static concept. It can vary with market and economic conditions, sometimes quite quickly and substantially. Hence the framework recognizes that the decision to use fiscal space, or not, will depend on country-specific circumstances.

The April 2019 *Fiscal Monitor* also shines a light on the importance of fiscal policy in dealing with high public debt while investing in people’s futures. To make room in the budget for the next downturn, countries with high debt should increase revenues or curb excessive spending. Fiscal policy must also prepare for the shift in demographics and new technologies, which are affecting growth and income distribution. This means

reorienting spending toward growth-enhancing investment in infrastructure, health, and lifelong education and cutting wasteful spending, such as inefficient energy subsidies. More progressive taxation can help reduce inequality, and reforming taxation of large multinational corporations—especially digital firms—can limit profit shifting, which deprives low-income countries of much needed revenue.

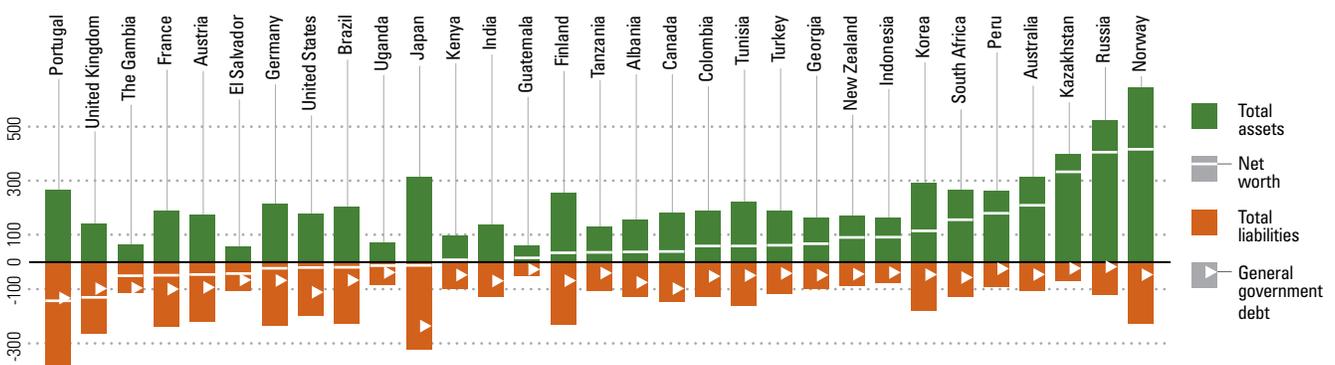
IMF efforts to help countries address high and rising debt vulnerability have proceeded apace. The Group of Twenty put forward a paper to enhance debt transparency and sustainable lending practices by creditor countries. To strengthen debt sustainability analysis, a new low-income-country debt sustainability framework was introduced in July 2018. It recommends much broader coverage and reporting of public debt. The Executive Board has also been engaged in similar discussions to update the Debt Sustainability Framework for Market Access Countries.

Still, high debt need not always be a cause for alarm. It turns out that what a government owes matters as much as what it owns. The October 2018 *Fiscal Monitor* showed that stronger balance sheets—a statement of assets and liabilities at a given point in time—are an important buffer during downturns. The wrinkle is that few governments know how much they own, or how they use those assets for the public’s well-being. Better utilizing a government’s assets matters and can mean about 3 percent of GDP more in revenue each year and lowered risk.

FIGURE 1.3
What governments own and owe

Analyzing public wealth using balance sheets (percent of GDP)

Source: IMF staff estimates. Note: End-2016 data, with the exception of: Albania, 2013; Austria, 2013; Brazil, 2014; Colombia, 2016; The Gambia, 2016; Guatemala, 2014; Kenya, 2013; Peru, 2013; Portugal, 2012; Russia, 2012; Tanzania, 2014; Tunisia, 2013; Turkey, 2013; Uganda, 2015.





BEHIND THE SCENES

Got fiscal space?

Fiscal space is the amount of room countries have for temporarily increasing their budget deficits without jeopardizing their access to markets or the sustainability of their debt. It is a dynamic notion that can change with market and economic conditions. For this reason, the IMF's framework to assess fiscal space relies on several factors, such as the composition and trajectory of public debt, financing needs and ease of borrowing, and the strength of fiscal institutions.

Some countries have substantial fiscal space. Among other things, this reflects their access to stable and cheap funding from financial markets, healthy public finances, and strong institutions. In other countries however, fiscal space is severely constrained. This reflects higher risks related to funding from financial markets and relatively high levels of debt, financing, or debt servicing needs.

Having fiscal space is like having money in the bank; whether that space should be used is a totally different question. It is a government's responsibility to build adequate fiscal space and use it judiciously, without impairing the long-term economic health of the country.

LEARN

What is the wealth of nations?

Just like individuals, governments sometimes lose track of their finances. While they keep close tabs on debt, they are less clear on the assets they own. IMF research has analyzed public net worth for 31 countries.

For these countries, total liabilities were much larger than debt alone and stood at about 198 percent of GDP. Government public debt accounted for less than half of those liabilities, with pension obligations a large part of the remainder, even though few countries record them as such. Total assets, on the other hand, amounted to \$101 trillion, or 219 percent of GDP. These include money governments have in the bank and their financial investments—things like roads, bridges, and sewer pipes, as well as natural resource reserves in the ground.

What does it all mean? Take the example of China. Total debt stood at 247 percent of GDP in 2016. Yet China has substantial government assets, reflecting years of high infrastructure investment. These assets are larger than its liabilities, putting net worth—the difference between assets and liabilities—well above 100 percent of GDP, the highest among emerging market economies. While debt-related risks in China are large, there are also buffers.

HARNESSING DIGITAL DIVIDENDS

Stronger policies
are needed to embrace
the technological
revolution.

Technology is rapidly changing our lives. It is redefining economic models, work relationships, and financial transactions, to name a few examples. Such disruptive power can bring many opportunities, such as greater financial inclusion. But it can also be a source of anxiety, especially for workers at risk of losing their jobs to automation. IMF work has focused on policies that can bridge the digital divide and harness digital dividends.

With as many as 1.7 billion adults globally with no access to financial services, fintech is emerging as a game changer. Nowhere is this more visible than in Africa. The use of mobile money has grown exponentially over the past 10 years, making the region the global leader in mobile money innovation, adoption, and usage. It is also the only region where close to 10 percent of GDP in transactions occur through mobile money. This compares with just 7 percent of GDP in Asia and less than 2 percent in other regions.

Financial innovations, such as crypto assets and blockchain technology, are also piquing the interest of central banks around the world. For example, they are exploring whether a central bank digital currency can be used as legal tender as physical money is now. A related issue is how to treat crypto assets in macroeconomic statistics based on the current statistical standards and classifications, since Bitcoin-like crypto assets and digital tokens without counterpart liabilities do not meet the definition of a financial asset. Fintech is undoubtedly democratizing financial services around the world, but it also comes with inherent risks and challenges. To help countries harness the benefits and manage the risks, the IMF, together with the World Bank, launched the Bali Fintech Agenda in October 2018.

Digitalization is also changing the way firms produce and market goods and services, and its measurement is of critical importance. The IMF is part of the expert group contributing to the *Handbook on Measuring Digital Trade*.

Just as it is a force for inclusion, technology can be an agent of economic division. One example is the market power conferred by proprietary intangible assets and network effects on highly productive and innovative digitally based companies, generating a “winner-takes-most” dynamic. By changing the way we work, technology can also leave some people behind. New technologies—such as artificial intelligence, automation, and robotics—that can substitute for a broad range of human skills can be disruptive for labor, and especially for women.

Globally, about 180 million female-dominated jobs are at high risk of being displaced. This is because women tend to be employed in more routine-oriented jobs, which are most prone to automation. Our research, however, shows that not all labor is replaceable, and artificial intelligence might transform jobs more than it will make them obsolete. Technological advances boost productivity, which over time creates new jobs and allows incomes and living standards to rise.

So what can countries do to harness the disruptive power of technology? They need policies to facilitate labor reallocation and shorten periods during which labor remains idle. But more fundamentally, countries need to invest in their people and provide them with opportunities. This means more effective public spending on education, making it responsive to market demands and providing opportunities for lifelong learning, along with appropriate redistributive policies. It also means investing in digital infrastructure and upgrading competition frameworks to ensure that the benefits from technology are fairly shared.

Technological advances present incredible economic and social opportunities. But they need to be supported by the right policies to ensure that they bring benefits to all.





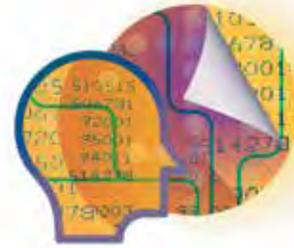
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What is the Bali Fintech Agenda?

Countries around the world are trying to harness the benefits and opportunities of rapid advances in financial technology that are transforming the provision of banking services, while at the same time managing the inherent risks. The IMF–World Bank Bali Fintech Agenda proposes a framework for countries to assess their policy options and adapt them to their own circumstances and priorities. The 12 elements of the framework were distilled from members’ own experiences and cover topics relating broadly to enabling fintech, ensuring financial sector resilience, addressing risks, and promoting international cooperation and information sharing.

BEHIND THE SCENES

A workforce of humans and robots?



Asia is at the forefront of automation with an estimated 65 percent of the world’s total industrial robot usage for 2017. With about 1 million robots in use, it has the highest robot density, which is the number of industrial robots per 10,000 workers.

Asia may be the global leader in employing industrial robots, but it is also the region with the highest robot production. Japan and Korea are the world’s top two producers, with market shares of 52 and 12 percent, respectively.

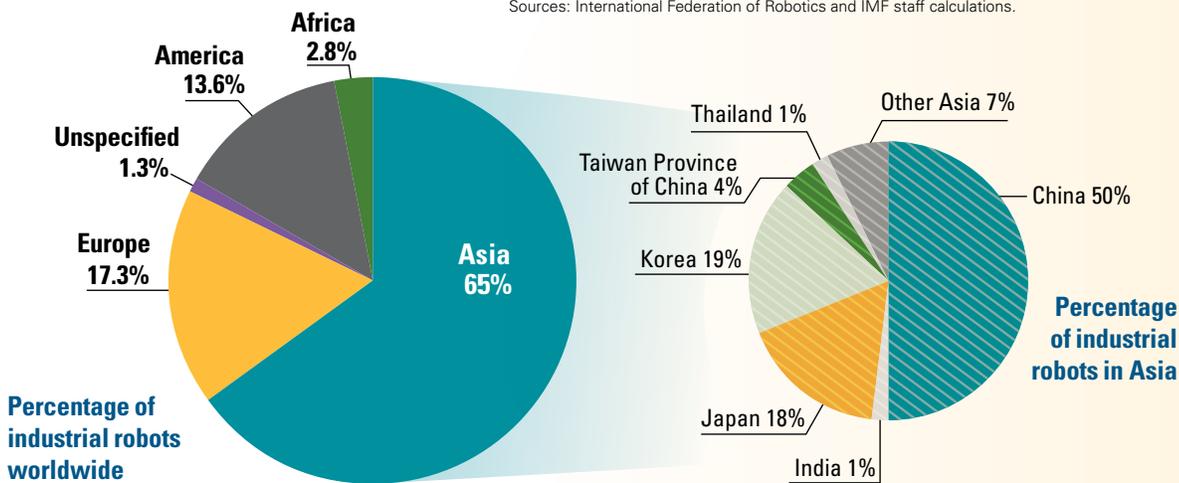
Robotics and automation mean growth opportunities for the region but also economic risks, especially for low-cost and low-skilled labor, which has been the basis for the region’s role as “the factory to the world.”

To reap the digital dividend, policymakers need to tackle disruptions caused by automation and robots by supporting job creation without stifling innovation. This means revamping education, investing in physical and regulatory infrastructure that supports entrepreneurship and innovation, and addressing labor market challenges as well as income redistribution and safety nets.

FIGURE 1.4

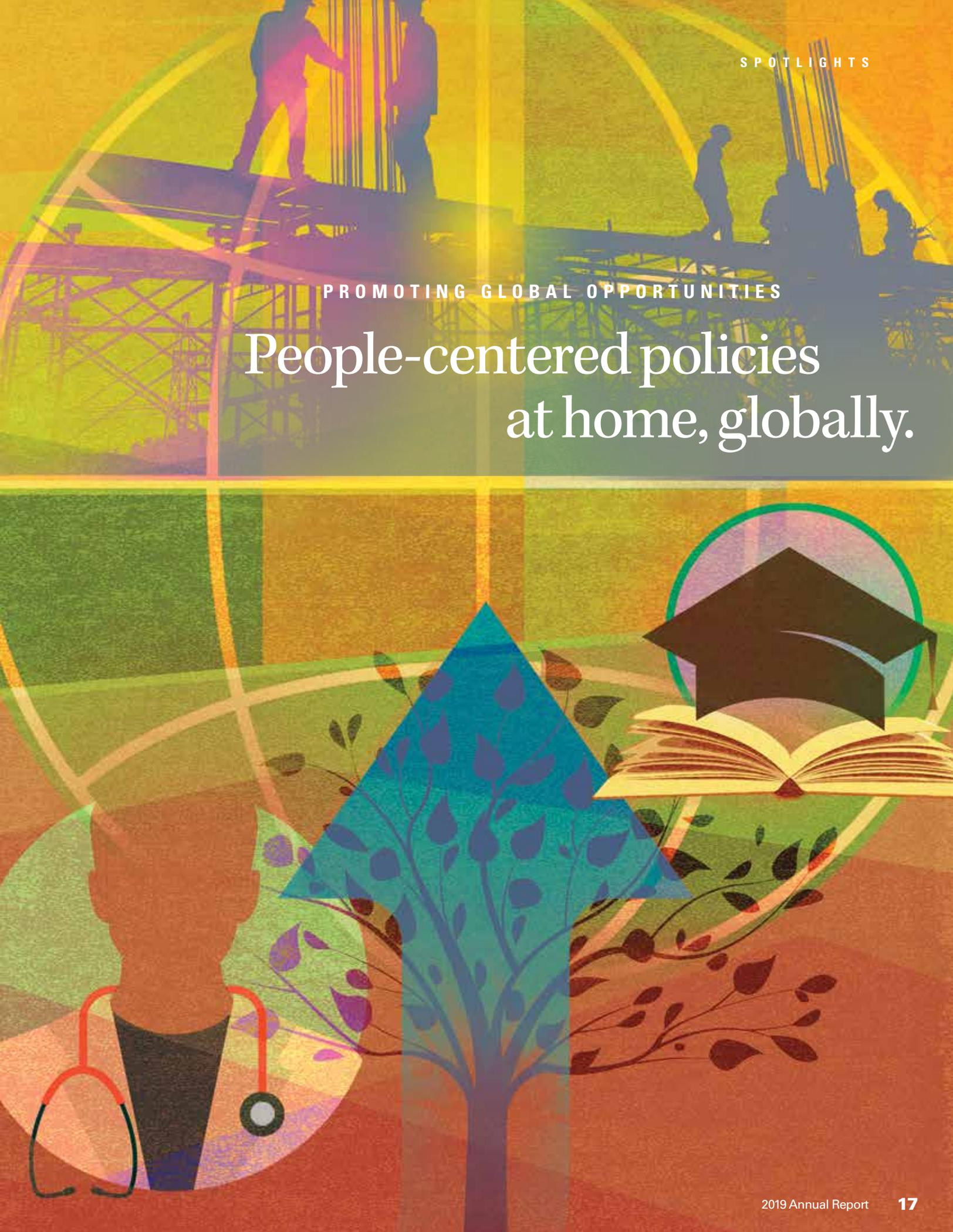
Asia employs 65% of the world’s manufacturing robots

Sources: International Federation of Robotics and IMF staff calculations.



PROMOTING GLOBAL OPPORTUNITIES

People-centered policies at home, globally.



At a time when the world is facing challenges from rapid technological advances, demographic shifts, and climate change, there is rising disengagement from the system of global cooperation and economic integration, which has delivered enormous benefits during past decades. The imperative for policymakers is to reorient domestic and international policies to mitigate the adverse economic and social consequences of international integration and technological advances on vulnerable groups.

Policies must provide conditions at home for people to succeed. This is especially true for emerging market and developing economies, where the challenge is to provide gainful employment for their large young populations. In many of these economies, up to 20 percent of working-age young people are neither employed, in school, nor in training. Bringing down youth inactivity rates to those in advanced economies would boost output by 5 percent. Beyond measures that improve labor market flexibility and job quality, policies that support overall demand and economic activity are key.

Restoring trust in government and institutions requires policy frameworks that enhance inclusion and opportunities for all. Tackling corruption and sources of inequality is key. IMF research has shown that less corrupt governments collect 4 percent of GDP more in tax revenue than countries at the same level of development with the most corruption. This means more resources for schools, roads, and hospitals. Policies are also needed to strengthen market competition and share the benefits from trade and technology more equally.

The IMF has taken stock of its work on inequality in pilot countries. Policy dialogue has been broadened to assess the impact of inequality on growth and examine the distributional impact of policies and reforms. Similarly, taking stock of IMF engagement on gender equality suggests that gender issues are macrocritical at the country and cross-country levels and are becoming an integral part of capacity development.

Stronger joint action is essential to confront broader challenges that countries cannot manage alone and to support countries' efforts to achieve the United Nations Sustainable Development Goals (SDGs). IMF work suggests that delivering on the SDG agenda on human, social, and physical investment calls for additional spending in 2030 of \$0.5 trillion for low-income developing countries and \$2.1 trillion for emerging market economies. The IMF will continue to help countries meet the 2030 SDGs through deeper policy diagnostics and capacity development and will help design strategies for financing from different sources, including domestic revenue mobilization, foreign aid, and the private sector.



Policies must provide conditions at home for people to succeed.

LEARN

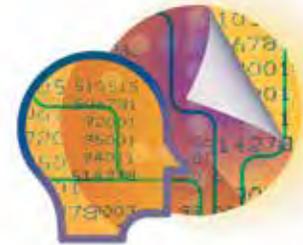
Closing the banking leadership gap



Women are underrepresented at all levels of the global financial system, from depositors and borrowers to bank board members and regulators. Consider this: women accounted for fewer than 2 percent of financial institutions’ chief executive officers and fewer than 20 percent of executive board members. Closing the gender gap in leadership does make a difference when it comes to bank stability. Banks with higher shares of women board members had higher capital buffers, a lower proportion of nonperforming loans, and greater resistance to stress. The reason is that strength lies in diversity. The bottom line is that greater inclusion of women not only as users and providers but also as regulators of financial services could have benefits beyond addressing gender inequality.

BEHIND THE SCENES

Financing the SDG agenda



Progress in achieving the SDGs hinges on countries’ ability to scale up spending in crucial areas such as health, education, and infrastructure. Our estimates show that the average additional annual spending required in 2030 to reach key SDGs stands at 15 percentage points of GDP for an average low-income country, compared with 4 percentage points for emerging market economies.

The combined needs for low-income countries amount to \$0.5 trillion, or 0.5 percent of global GDP. Additional domestic revenue could finance one-third of these needs, leaving a gap of 0.3 percent of world GDP.

Closing the gap will hinge on more efficient public spending and on various global public goods, such as transparency, open trade, and geopolitical stability. The private sector, official development assistance, philanthropy, and international financing institutions can help close the remaining gap more quickly.

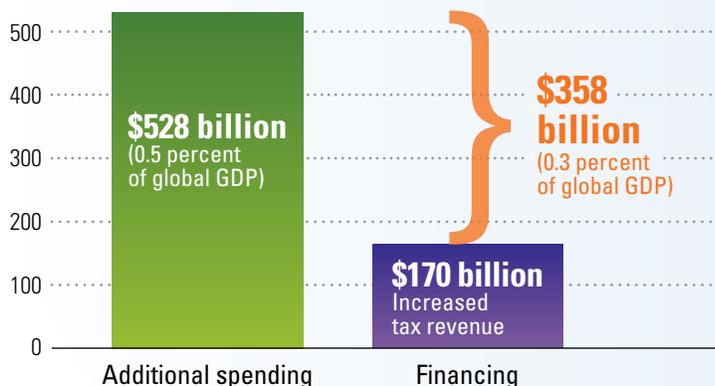
FIGURE 1.5

Confronting the financing gap

For low-income developing countries, tax revenue will be insufficient to finance SDGs; other sources of financing will be needed. (Billions of 2016 US dollars)

Notes: Additional spending refers to the additional annual spending across low-income developing countries required in 2030 for meaningful progress on the SDGs in the areas of health, education, roads, electricity, water, and sanitation.

Sources: IMF staff calculations using Gaspar and others, 2019.



Asia and the Pacific

2018 Annual Meetings in Indonesia

More than 11,000 people from around the world gathered in Bali, Indonesia, for the 2018 IMF–World Bank Annual Meetings.

The meetings, the first to be held in Southeast Asia since the 2006 meetings in Singapore, came at a time of concern about plateauing growth and increasing trade tensions. In response, the IMF called for a “new multilateralism” to address the challenges of trade, turbulence, and trust. In this spirit, the IMF, with the World Bank and other partners, released the Bali Fintech Agenda, a blueprint for policymakers who are seeking to manage new risks while harnessing fintech’s potential for the benefit of all.

The Annual Meetings also served as an occasion to demonstrate Indonesia’s expanding role on the global stage and showcase its rich culture. History was made as leaders from all 10 Association of Southeast Asian Nations (ASEAN) attended the meetings for the first time.

Ahead of the Annual Meetings in Indonesia, the IMF’s Asia and Pacific Department released two books—*Realizing Indonesia’s Economic Potential* and *The ASEAN Way*—to highlight the IMF’s policy recommendations on economic growth in Southeast Asia.



Realizing Indonesia’s Economic Potential

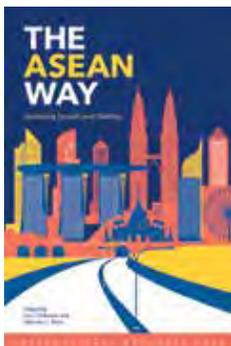
Through a comprehensive and integrated macroeconomic analysis, the book *Realizing Indonesia’s Economic Potential* highlights Indonesia’s remarkable progress during the past two decades. Prudent policies and structural reforms have yielded strong and stable economic growth, raising living standards for millions of people. But the book also stresses that policies need to adapt constantly to a changing economic landscape to ensure continued prosperity. It shows that a well-designed package—comprising fiscal, structural, and financial reforms—could boost annual growth by 1 percentage point—to 6.5 percent in the medium-term.





The ASEAN Way

The book *The ASEAN Way* shares the economic resurgence during the past two decades of the five founding members of the Association of Southeast Asian Nations—the ASEAN-5: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. This includes the consensus-based “ASEAN Way” of collaborating and integrating trade, finance, and labor markets on the path toward an ASEAN Economic Community. This approach has served the region well in the past two decades and is likely to continue to do so in the period ahead.



Supporting China’s Reform Agenda

As China shifts from high-speed to high-quality growth while aiming to control corporate leverage, it is more important than ever to ensure that resources are allocated efficiently and without regard for ownership type (state owned, private, foreign, or domestic) or company size.

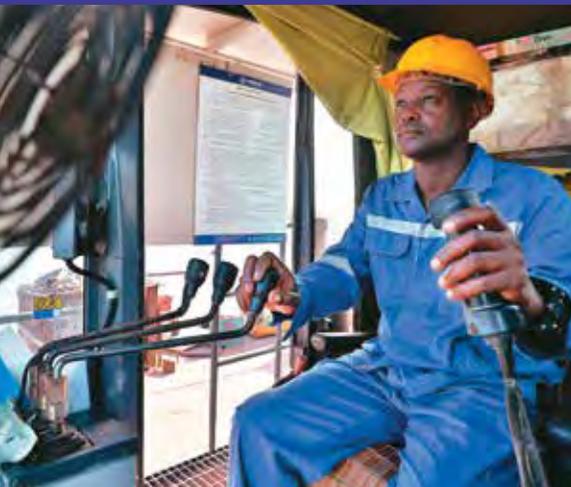
Creating such an environment of “competitive neutrality” is challenging and has been the focus of a number of countries and international organizations. Recently, the Chinese authorities have put competitive neutrality at the top of their reform agenda. To support the agenda, the IMF and the People’s Bank of China organized the Seventh High-Level Conference on Opening Up and Competitive Neutrality in April 2019 to assess existing developments, discuss the authorities’ reform plans, and—based on international experience—suggest reforms.

The conference brought together international and domestic experts, financial sector regulators, and international organizations, as well as private sector representatives. Insight from the conference is an integral part of the 2019 Article IV Consultations and is likely to be reflected in IMF capacity-building activities, including through the new China-IMF Capacity Development Center and in the context of cooperative agreements with some of the respective government agencies.

Sub-Saharan Africa

The Future of Work

Sub-Saharan Africa needs to create 20 million jobs annually over 20 years to absorb its growing workforce. The African Department’s study “The Future of Work in Sub-Saharan Africa” found that the region may lose fewer jobs to automation than advanced economies because of differences in economic structure and wage levels. However, automation is likely to reduce low-skill job opportunities. Integration and connectivity are key for job creation. Traditional and digital infrastructure, an education system keeping pace with changing skill requirements, smart urbanization, safety nets for a volatile labor market, and trade integration are essential for inclusive growth.



The CEMAC Region and IMF Engagement

The Central African Economic and Monetary Community (CEMAC) strategy has helped to avert a crisis, despite continued headwinds. Monetary policy tightening, progress toward finalizing the new monetary policy framework, and foreign exchange regulations have supported macroeconomic adjustment. However, two countries have still not entered financing arrangements with the IMF. Foreign exchange reserves have underperformed, despite higher-than-projected oil prices. Addressing downside risks is essential for CEMAC’s economic recovery. Delays in the adoption of IMF-supported programs with the Republic of Congo and Equatorial Guinea, lower oil prices, and tighter global financial conditions could undermine the recovery. Economic diversification, improving the business environment, and alleviating the perception of corruption would help improve CEMAC countries’ growth prospects.



Europe

The Long-Term Impact of Brexit on the European Union

Bonds between the economies of the European Union and the United Kingdom run deep. As Brexit brings with it more friction in the economic relationship, there will be costs on both sides, as an IMF staff study, “Euro Area Policies,” suggests. Relative to a no-Brexit baseline, the GDP of the EU27 (EU member countries remaining after a UK exit) would fall long term by up to 0.8 percent if Brexit were followed by a standard free trade agreement. The decline would be 1.5 percent if there were a default to World Trade Organization rules. Importantly, the precise impact will depend on the outcome of ongoing negotiations and will vary widely across countries. Considering only the trade channel, long-term output losses would be particularly significant for Ireland, Belgium, and the Netherlands.

FIGURE 1.6

Long-term impact of Brexit

Decline in the level of output compared to a non-Brexit scenario, in percent



Source: IMF Euro Area Selected Issues; “Long-term impact of Brexit on the EU,” IMF Country Report No. 18/224.



Angola and Rwanda

The IMF’s engagement with Angola and Rwanda exemplifies our work in the region during FY2019.

The Extended Fund Facility with Angola in the amount of \$3.7 billion (361 percent of quota) was approved in December 2018. The program aims to strengthen fiscal discipline, reduce inflation, promote exchange rate flexibility, improve financial sector stability, and address pressure on correspondent banking relationships. The program promotes policy discipline, providing positive signals to stakeholders.

Rwanda successfully completed its IMF arrangement under the Policy Support Instrument. The Executive Board approved the 10th and final review in November 2018, and the program expired December 1, 2018, after five years. The program helped maintain macroeconomic stability while supporting inclusive growth and poverty reduction. The Rwandan authorities and IMF staff have reached a staff-level agreement on policies that could support a forthcoming request for a successor program supported by the IMF.

Europe, *continued*



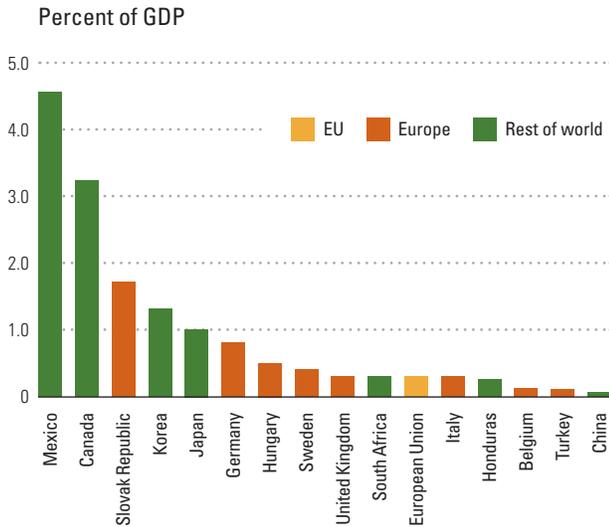
Structural Reforms and Resilience in Europe

Cross-country differences in economic resilience—in an economy’s ability to withstand and adjust to shocks—remain significant in the euro area. In part, the differences reflect the lack of a national nominal exchange rate as a mechanism to adjust to shocks. The IMF staff has argued that union-wide architectural changes such as the banking union, the capital markets union, and a central fiscal capacity can help foster greater international risk sharing. Yet even these changes cannot insure against all shocks. National policies thus have a vital role to play. An IMF staff discussion note analyzes how national structural policies can help euro area countries better deal with economic shocks.

Using a mix of empirical and modeling approaches, the note finds that growth-enhancing reforms to labor and product market regulations, tailored to country-specific circumstances, would help individual euro area economies weather adverse shocks. Higher-quality insolvency regimes are associated with more efficient factor reallocation following a shock. The note also finds that structural and cyclical policies interact. Greater rigidities make economies more fragile, putting a higher burden on fiscal policy. This is especially true for members of a monetary union. Countries should build fiscal space in good times and tackle rigidities, reducing their need for countercyclical policies in bad times while making countercyclical policies more effective when deployed.

FIGURE 1.7

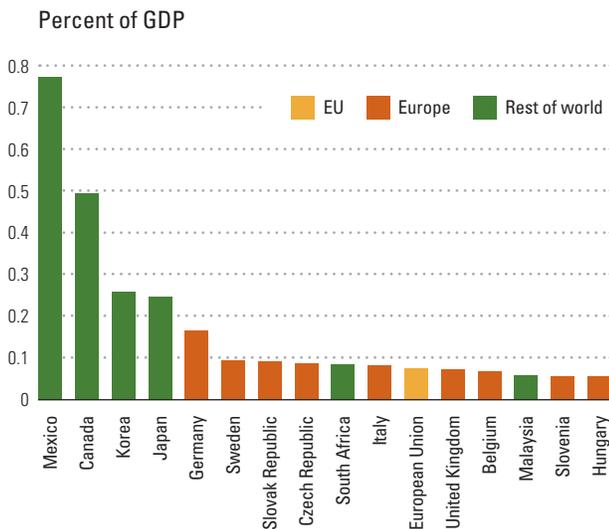
Car and car parts gross exporters to the US, 2017



Sources: EORA database, UN COMTRADE, and IMF staff calculations.
 Note: The scenario assumes a 25 percent tariff imposed on US imports of cars and car parts.

FIGURE 1.8

Distribution of loss from US tariffs on imports of cars and car parts



Sources: EORA database, UN COMTRADE, and IMF staff calculations.
 Note: The scenario assumes a 25 percent tariff imposed on US imports of cars and car parts.

Trade Tensions, Global Value Chains, and Spillovers

Europe is deeply integrated into global value chains, both in and outside the region. Almost 70 percent of total European exports are linked to forward and backward supply chains, and the introduction of new tariffs or other trade barriers would impact European economies through these complex trade linkages.

An IMF study shows the importance of distinguishing between traditional gross export measures and value-added exports to gauge exposure to external trade shocks, as the difference between these two measures is significantly large in the case of Europe.

The study focuses on the example of European cars and car parts exported to the United States. Overall, these exports amount to 0.3 percent of EU GDP (Figure 1.7). If applicable tariffs were to increase by 25 percent, as threatened by the US authorities—and mapping the subsequent output losses through supply chains—the impact on the European Union would be some 0.1 percent of GDP, with the losses distributed across more European countries than the gross export data would suggest. The Czech Republic offers a good example of how the loss distribution differs using gross exports or value-added exports.

Although the country’s gross exports of cars and car parts to the United States are very small (the country does not even appear in Figure 1.7), after considering supply chain linkages the Czech Republic looks to be the EU country fourth most affected by US car tariffs (Figure 1.8). Stated simply, there is a lot of Czech value added buried within other EU countries’ car exports to the United States.

Middle East and North Africa

Creating Opportunity for All

Following a “Call for Action” at the January 2018 Opportunity for All Conference in Marrakesh, the IMF launched a paper on inclusive growth, “Opportunity for All: Promoting Growth and Inclusiveness in the Middle East and North Africa” at the Arab Economic Forum in Beirut, Lebanon, in July 2018. The paper offers detailed advice on how policies can make growth more inclusive. It offers examples and lessons from reform across the region and prioritizes faster implementation of reforms in the areas of governance; competition, trade, and technology; social spending and fair taxation; and job creation.

Policymakers and private sector representatives at the launch saw the inclusive growth agenda as a potential blueprint for a new social contract for the region. This sentiment was echoed in subsequent two-day consultations with civil society organizations and journalists, who also called for a greater focus on these priority areas in IMF programs.



Boosting the Financial Inclusion of Small and Medium Enterprises

Creating more private sector jobs is a critical challenge in the Middle East and Central Asia, where millions of people join the labor force every year and unemployment is already high. This effort should build on the development of a vibrant small and medium enterprise sector, in particular through better access to finance.

In February 2019, the IMF presented a paper titled “Financial Inclusion of Small and Medium-Sized Enterprises in the Middle East and Central Asia” at the American University in Cairo. It shows that scaling up their access to finance could bring about substantial macroeconomic benefits in the region—and potentially add 15 million new jobs by 2025.

2021 Annual Meetings

In April 2018, Marrakesh, Morocco, was announced as the host of the October 2021 Annual Meetings of the World Bank and the IMF. Preparations for the event have already begun in earnest, with a joint IMF–World Bank team visiting Morocco to discuss the Journey to Morocco with authorities.



Western Hemisphere

Somalia: A Road to Stability

Since the IMF recognized the Federal Government of Somalia in 2013, IMF engagement—through policy advice and technical assistance—has helped Somalia on the road to economic stability following decades-long civil war. Though much work remains, Somalia has made significant progress through the successful completion of three successive staff-monitored programs. The IMF Executive Board endorsed the successor staff-monitored program (in July 2019) as meeting the conditionality standard of an upper-credit tranche arrangement, putting Somalia more clearly on the path toward debt relief under the Heavily Indebted Poor Countries Initiative. Somalia is expected to remain one of the largest beneficiaries of IMF technical assistance in the period ahead.

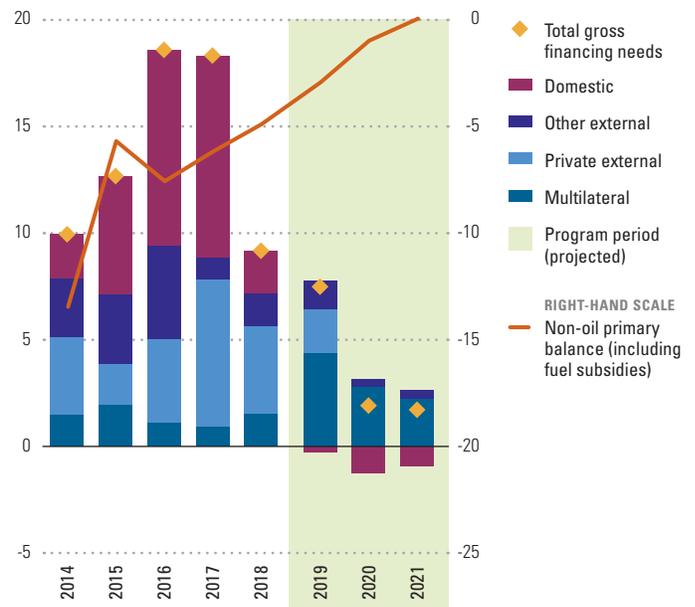


Ecuador

In March 2019, Ecuador and the IMF agreed to a three-year arrangement under the Extended Fund Facility amounting to \$4.2 billion. The plan contains policies to foster growth and competitiveness, strengthen the institutional foundations of Ecuador’s dollarization, ensure debt sustainability, protect the poor, and bolster the fight against corruption. These steps aim to create a more dynamic and inclusive economy for the benefit of all Ecuadorians.

FIGURE 1.9
Restoring sustainability

Fiscal deficit and external financing in Ecuador (percent of GDP)



Sources: Ecuador Central Bank, Ministry of Finance, and IMF staff calculations.

Western Hemisphere, continued



Brazil: Boom, Bust, and the Road to Recovery

Brazil is at a crossroads, emerging slowly from a historic recession that was preceded by a huge economic boom. The book *Brazil: Boom, Bust, and the Road to Recovery* provides an assessment of the Brazilian economy and discusses policies needed to boost productivity and revive growth. The book was launched in March 2019 in Rio de Janeiro and São Paulo and at the Wilson Center in Washington, DC.



Building Resilience to Disasters and Climate Change in the Caribbean

A High-Level Conference on Building Resilience to Disasters and Climate Change in the Caribbean, organized jointly by the IMF, the World Bank, and the Inter-American Development Bank, was held in Washington, DC, in November 2018.

The conference aimed to broaden the policy focus toward building ex ante resilience and identify reforms and tools to support this shift. Participants unanimously called for greater urgency in addressing climate change effects. Several challenges were highlighted, including capacity constraints, the high cost of climate-resilient infrastructure and insurance premiums to hedge disaster risks, limited donor financing for building ex ante resilience, the absence of adequate data for costing risks, and political economy factors in balancing high up-front costs against payoffs visible only in the long term. Participants expressed strong support for a “grand bargain” among key stakeholders that involves country-led efforts to restore fiscal sustainability while incorporating up-front costs of resilience investments and their longer-term benefits in macro-fiscal frameworks to catalyze international support. The conference informed the paper “Building Resilience in Small States Vulnerable to Natural Disasters,” discussed by the Board in May 2019.



PART 2:

What We Do

The IMF has three main roles:

Economic Surveillance

1 The IMF oversees the international monetary system and monitors the economic and financial policies of its 189 member countries. As part of this surveillance process, which takes place at both the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments.

119
country
health
checks

\$70 billion
to eight
countries,
plus \$325.7 million
to four low-income
developing countries

Lending

2 The IMF provides loans to member countries experiencing actual or potential balance of payments problems to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while correcting underlying problems.

Capacity Development

3 The IMF works with governments around the world to modernize their economic policies and institutions and train their people. This helps promote inclusive growth.

\$306
million
for hands-on
technical advice,
policy-oriented
training, and
peer learning



Economic Surveillance

Through “surveillance,” the IMF oversees the international monetary system, monitors global economic developments, and engages in a health check of the economic and financial policies of its 189 member countries. In addition, the IMF highlights possible stability risks to its member countries and advises their governments on potential policy adjustments, enabling the international monetary system to achieve its goal of facilitating the exchange of goods, services, and capital among countries, thereby sustaining sound economic growth.

INTRODUCTION

IMF surveillance comprises “bilateral surveillance,” in which the IMF appraises and advises on the policies of each member country, and “multilateral surveillance,” in which the IMF provides analysis of the world economy or a group of countries that share certain characteristics. By integrating bilateral and multilateral surveillance, the IMF can ensure a more comprehensive, consistent analysis of “spillovers”—that is, how one country’s policies may affect other countries. In addition, the IMF conducts surveillance of regional financial arrangements and currency unions.

An important element of bilateral surveillance is the Article IV consultation, named after the article of the IMF’s Articles of Agreement that requires a review of economic developments and policies in each IMF member country.

Multilateral surveillance involves monitoring global and regional economic trends and analyzing spillovers from members’ policies onto the global economy.

The IMF also monitors regional and global economic trends and analyzes the impact that member country policies may have on neighboring countries and the global economy. It issues periodic reports on these trends and analysis. The *World Economic Outlook* provides detailed analysis of the global economy and its growth prospects, addressing issues such as the macroeconomic effects of global financial turmoil and the potential for global spillovers, especially those that may result from the economic, fiscal, and monetary policies of large, globally central economies such as the United States, China, and the euro area. The *Global Financial Stability Report* assesses global capital markets and financial imbalances and vulnerabilities that pose potential risks to financial stability. The *Fiscal Monitor* updates medium-term fiscal projections and assesses developments in public finances. The IMF also publishes *Regional Economic Reports* that provide detailed analysis of major regions of the world.

BILATERAL SURVEILLANCE

The Article IV Consultation Process: An Annual Assessment

Article IV consultations cover a range of important macrocritical issues—fiscal, financial, foreign exchange, monetary, and structural—and focus on risks and vulnerabilities and policy responses. Economists and other staff members across the IMF participate in the Article IV consultation process. The consultations consist of a two-way policy dialogue between the IMF and country authorities. The IMF team meets with an individual country’s government and central bank officials, as well as other stakeholders—such as parliamentarians, business representatives, civil society, and labor unions—to help evaluate the country’s economic policies and direction. The IMF staff then presents a report to the IMF’s Executive Board, normally for discussion. The consultation then concludes, and the IMF sends country authorities a summary of the meeting. In most cases, and after the member country agrees, the Board’s assessment is published as a press release, along with the associated staff reports. In FY2019, the IMF conducted 119 Article IV consultations (Web Table 2.1).

Financial Sector Assessment Program

Checking the health of member countries’ financial sectors is important to maintaining global financial stability. The IMF conducts mandatory assessments every five years of 29 jurisdictions whose financial sectors are deemed systemically important and assesses other members’ financial sectors on a voluntary basis. The Financial Sector Assessment Program features an in-depth analysis of risk and resilience as well as an assessment of the financial sector policy framework and financial sector safety nets, leading to a set of key policy recommendations to prevent financial instability.

In FY2019, the Board was briefed on 12 assessments under the Financial Sector Assessment Program: Armenia, Australia, Brazil, the euro area, Jamaica, Kuwait, Malta, North Macedonia, Peru, Poland, Romania, and Tanzania.

The 2020 Financial Sector Assessment Program review will take place amid a fast-evolving macro-financial landscape. Monetary policy normalization in key advanced economies, financial innovations such as fintech, and emerging risks from digitalization and cyber risks present new challenges for financial stability. To adapt to these realities, the review will focus on examining the scope of financial stability assessments under the Financial Sector Assessment Program; strengthening the program's analytical foundations; improving traction, including integration with other elements of IMF financial surveillance; reviewing participation, including the list of mandatory assessments; and examining costs in a budget-constrained environment.

REGIONAL SURVEILLANCE

Common Policies

IMF policy advice to members of currency unions highlighted the challenge of sustaining growth against a volatile global backdrop. Countries of the West African Economic and Monetary Union (WAEMU) have seen their economies expand at an average of 6 percent for the seventh consecutive year. This is despite higher oil prices and security concerns. Yet, with still large fiscal deficits and public sector operations, public debt and the cost of its service have risen. Sustaining a favorable outlook, therefore, hinges on continued efforts to strengthen public finances and implement reforms to improve the business environment.

These reforms are even more urgent for countries in the Central African Economic and Monetary Community (CEMAC), where the economic situation remains challenging. Growth is still sluggish amid deteriorating conditions of the banking sector, due to large government arrears. Reforms to improve governance and strengthen the financial sector are equally important to sustain a gradual improvement in the medium-term outlook.

Following the catastrophic impact of Hurricanes Irma and Maria in 2017, countries in the Eastern Caribbean Currency Union (ECCU) are seeing a gradual recovery. Tourist inflows are slowly picking up in hurricane-struck countries and have remained strong elsewhere. Conditions remain favorable to

growth, but risks are increasing from large fiscal deficits and persistent financial sector weaknesses. In its discussion, the Board agreed that building ex ante resilience to climate change and natural disasters is a key priority. This includes investment in resilient infrastructure that would reduce damages and losses from disasters, promote private investment, and stem outward migration.

MULTILATERAL SURVEILLANCE

Early Warning Exercise

The Early Warning Exercise is an important part of the institution's surveillance work and is conducted twice a year in coordination with preparation of the flagship publications (*World Economic Outlook*, *Global Financial Stability Report*, *Fiscal Monitor*).

The findings of the exercise are strictly confidential and presented exclusively to the members of the International Monetary and Financial Committee during the IMF–World Bank Spring and Annual Meetings. Early Warning Exercise follow-up takes place in the context of bilateral and multilateral surveillance activities. The IMF and the Financial Stability Board cooperate closely on the exercise to provide an integrated perspective on tail risks and vulnerabilities. The IMF takes a leading role in macroeconomic, macro-financial, macro-structural, technological, and sovereign risk concerns, and the Financial Stability Board focuses on financial system regulatory and supervisory issues.

External Sector Report

The *External Sector Report* provides multilaterally consistent assessments of member countries' external sectors, including their exchange rates, current accounts, reserves, capital flows, and external balance sheets. This report is one of the flagship reports (along with the *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor*). It has been produced annually since 2012 and covers 29 of the world's largest economies, plus the euro area, representing about 90 percent of global GDP. The *External Sector Report* is part of a continuous effort to provide a rigorous and candid assessment of global excess imbalances and their causes and to address the possible spillover effects of members' policies on global external stability.



The Executive Board discussed the 2018 report, issued along with individual economy assessments, in a formal session in July 2018. Directors broadly supported the findings of the report and its policy recommendations and welcome the efforts to refine the methodology and broaden the reach of the report.

Semiannual Reports

The *World Economic Outlook*, the *Global Financial Stability Report*, and the *Fiscal Monitor* provide analysis on the latest global economic developments. In addition, the IMF staff produces a surveillance note for meetings of the Group of Twenty twice a year.

POLICY ADVICE

The Managing Director's Global Policy Agenda

In April 2019, IMF Managing Director Christine Lagarde presented her Global Policy Agenda, “Joint Responsibility, Shared Rewards,” in an informal session of the Executive Board. The agenda stressed that although international cooperation, economic and financial integration, and technological progress have delivered enormous benefits across the globe during the past decades, these benefits have not been sufficiently shared to prevent eroding trust in institutions and weakening support for the global system that has made these gains possible.

This loss of trust comes at a time when the world is facing challenges from rapid technological advances, uncertainty about the future of work, demographic shifts, environmental degradation, and climate change. These challenges can be met only through a new multilateralism that instills confidence that the costs and rewards of lasting solutions will be shared by all. Policymakers are called on to reorient domestic and international policies to better manage the economic and social consequences of international integration and technological advances while being mindful of the global footprint of their actions.





The concept of a new multilateralism hinges on three complementary and reinforcing areas of policy action: domestic policies to build more resilient economies and promote economic opportunities, upgraded global cooperation that will provide a more level playing field across borders, and a commitment to work together on broader global challenges, such as climate change.

Capital Flows in Practice and IMF Taxonomy of Capital Flow Management Measures

In July 2018, the IMF staff published the paper “The IMF’s Institutional View on Capital Flows in Practice,” which provides an overview of the IMF’s framework and its implementation to ensure consistent advice to member countries on policies related to capital flows, taking into account country-specific circumstances. “The IMF 2018 Taxonomy of Capital Flow Management Measures,” published in September 2018, serves as a reference for the various types of capital flow measures undertaken by countries to manage capital flows since the adoption of the institutional view in 2012. Both papers are part of the IMF’s efforts to build understanding of the institutional view and its application in practice.

FINANCIAL SECTOR

Strategy on Anti-Money Laundering and Combating the Financing of Terrorism

In November 2018, the Executive Board reviewed the IMF’s strategy on anti-money laundering. A multipronged approach has enabled the IMF to address issues related to money laundering, terrorism financing, proliferation of weapons of mass destruction financing, and broader financial-integrity-related issues, including developing and emerging issues such as those related to correspondent banking relationships and financial technology (fintech). There have also been efforts to increase synergies between the different work streams in order to strengthen the efficiency and impact of the IMF’s anti-money laundering and combating the financing of terrorism work—including in surveillance, IMF-supported programs, Financial Sector Assessment Programs, and capacity development activities.

To expand its reach and maximize the impact of the IMF's overall involvement in anti-money laundering and combating the financing of terrorism assessment work, the Executive Board supported the shift to fewer IMF-led assessments while increasing the staff's participation in the quality and consistency review of other assessments and in more training efforts.

Global Financial Stability Report

The Executive Board reviewed the April 2019 *Global Financial Stability Report*, which found that despite significant variability over the past two quarters, financial conditions remain accommodative. As a result, financial vulnerabilities have continued to build in the sovereign, corporate, and nonbank financial sectors in several systemically important countries, leading to elevated medium-term risks. The report provides an overall assessment of these vulnerabilities while focusing specifically on corporate sector debt in advanced economies, the sovereign-financial sector nexus in the euro area, China's financial imbalances, volatile portfolio flows to emerging markets, and downside risks to the housing market.

The IMF Adopts a Decision on the Core Principles for Islamic Finance Regulation for Banking

The Islamic finance sector continues to grow and evolve in size and complexity. Global Islamic financial assets have reached about \$2 trillion, with the banking sector accounting for about 85 percent of the total assets. Islamic banking takes place in more than 60 countries, and the industry is now systemically important in 13 jurisdictions.

The growth of Islamic finance presents important opportunities to strengthen financial inclusion, deepen financial markets, and mobilize funding for development by offering new modes of finance and attracting unbanked populations that have not participated in the financial system. Islamic banks undertake distinct operations with risk profiles and balance sheet structures that differ in important respects from those of conventional banks, with associated financial stability implications.

In May 2018, the Executive Board endorsed a proposal on the use of the Core Principles for Islamic Finance Regulation, which were developed by the Islamic Financial Services Board with the participation of the Secretariat of the Basel Committee on Banking Supervision. The core principles will complement the international architecture for financial stability while motivating improvement in the prudential framework for the Islamic banking industry across jurisdictions. The use of the core principles would help strengthen evenhandedness and consistency in surveillance, program design, and technical assistance.

FISCAL ISSUES

Fiscal Transparency Initiative: Integration of Natural Resource Management Issues

Fiscal transparency and good governance are particularly important to help manage nonrenewable natural resources in an equitable and sustainable manner. The exhaustible nature of natural resources and the scale of economic rents raise fiscal transparency considerations at each stage of resource revenue management. The limited opportunity to extract nonrenewable resources raises the bar for governments to use the resulting revenues for the benefit of both current and future generations. The potential for large rents makes the sector particularly vulnerable to corruption and calls for strong accountability mechanisms.

In December 2018, the Executive Board discussed a proposal that integrates into the Fiscal Transparency Code a new fourth pillar (Pillar IV) on natural resource revenue management. Pillar IV aims to reflect both established transparency practices in the extractive industries as well as emerging norms, such as the publication of resource payments and contracts and the disclosure of beneficial owners of resource rights. It also reflects the lessons learned from pilot fiscal transparency evaluations, such as in Peru and Mexico, and extensive stakeholder feedback. The new structure complements Pillars I–III, which were published in 2014, focusing more generally on fiscal reporting, fiscal forecasting and budgeting, and fiscal risk analysis and management.

IMF Board Takes Stock of Work on Fiscal Space

In May 2018, staff members updated the Executive Board on their experience with the fiscal space framework piloted in 24 countries during 2017–18. Fiscal space is defined as room to undertake discretionary fiscal policy relative to existing plans without endangering market access and debt sustainability. The framework is multidimensional, with country-specific factors and IMF staff judgment playing a significant role in the final judgment.

The review finds that the framework has generally worked well. It generated fiscal space assessments that were broadly in line with its underlying logic and indicators and supported evidence-based and evenhanded internal review of country documents. It also stressed that the availability of space does not necessarily mean that it should be used or should not be further expanded.

The framework also showed that despite elevated levels of public debt, most countries had at least some space. Advanced economies in general were found to have more space than emerging markets, mainly because their financing is more secure, largely reflecting greater credibility and institutional strength.

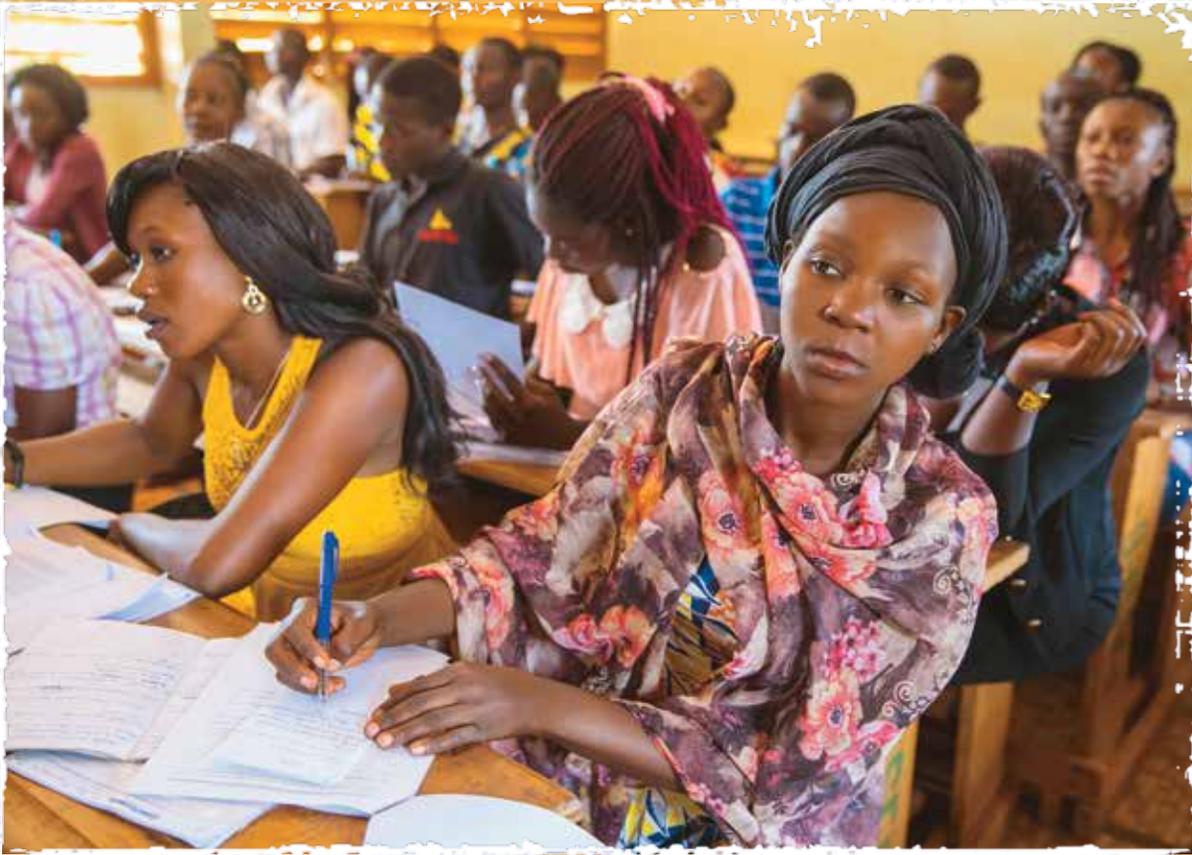
Implementation of the framework revealed a few potential areas for modification, such as formal integration of contingent liabilities and adjustments to capture specifics of commodity producers and low-income countries.

Public Investment Management Assessment— Review and Update

Public investment can be an important catalyst for economic growth, but the benefit of ramped-up investment depends crucially on its efficiency. The increase in public investment in emerging market and low-income countries has partially closed the gap between richer and poorer countries in terms of the quality of, and access to, social infrastructure. However, the average country loses about 30 percent of the value of its investment to inefficiencies in its public investment processes. Improvements in infrastructure governance can help countries close up to two-thirds of that “efficiency gap.”

The Public Investment Management Assessment is the IMF’s key tool for assessing infrastructure governance over the full investment cycle and supporting economic institution building. In May 2018, an IMF paper reviewed the experience with the Public Investment Management Assessment framework conducted in more than 30 countries. Building on the lessons and findings from the first wave of assessment exercises, the original framework was slightly revised. The revised assessment retains the key features of the 2015 framework, including the three-phase structure (planning, allocation, and implementation) and highlights some critical governance aspects more prominently. These include aspects such as maintenance, procurement, and independent review of projects, as well as adequacy of the legal framework and staff capacity. Public Investment Management Assessments are part of the IMF’s Infrastructure Policy Support Initiative.





Corporate Taxation in the Global Economy

Public perceptions that some large multinational companies pay little tax have raised concern about the effectiveness and fairness of the overall tax system and focused attention on the need for a new architecture of international corporate taxation. The practice of shifting profits to low-tax locations is estimated to have deprived non-Organisation for Economic Co-operation and Development countries of about \$200 billion in revenue a year, or about 1.3 percent of GDP. These much-needed resources, especially in low-income countries, could bring about higher and more inclusive growth and enable these countries to meet the 2030 Sustainable Development Goals. The rise of highly profitable, technology-driven, and digital-heavy business models that rely on intangible assets, such as patents, that are hard to appraise and easy to relocate also warrant a rethink of the current international tax rules.

In February 2019, the Executive Board discussed new IMF research reviewing the current state of international corporate income tax arrangements and analyzing options for reform in the context of three key criteria: better addressing profit shifting and tax competition, overcoming legal and administrative obstacles to reform, and ensuring full recognition of the interests of emerging market and developing economies. Executive Directors welcomed the analysis and the discussion on these tax challenges, which are difficult, technically and politically. They also underscored the importance of continued close collaboration with the Organisation for Economic Co-operation and Development and other international organizations active in this area, to ensure that the IMF's work remains complementary to the work of other organizations.

OTHER ISSUES

Comprehensive Surveillance Review

The 2020 Comprehensive Surveillance Review is the first comprehensive review of surveillance since the 2014 Triennial Surveillance Review. The review is forward-looking. It focuses on preparing for the global economic and financial landscape expected in the next decade by realigning the surveillance priorities and redesigning how we engage with countries to enhance the IMF's trust and traction with the membership.

The Comprehensive Surveillance Review will start with a discussion of the broad contours of the macro-financial backdrop that are likely to define the global economy in 2020–30. These include strains on global trade and financial integration, leading to questioning of traditional economic policy prescriptions, and the technological progress and demographic dividends that can be harnessed for the benefit of all people. Drawing on this backdrop, it will then propose surveillance priorities and discuss the potential benefits to the membership from advancing these priorities. The Comprehensive Surveillance Review will also tackle the issue of how to increase the traction of IMF policy advice, including through upgrades to IMF surveillance modalities and product mix.

In view of the forward-looking nature of the IMF's 2020 Comprehensive Surveillance Review, two external advisory groups have been formed to provide overall guidance and bring in cutting-edge thinking and expertise. The External Advisory Group on Surveillance will guide the priorities and strategic direction of the review and subsequently weigh in on the emerging findings and the staff's preliminary recommendations. The External Advisory Group on Digital Technology will provide guidance on potential macroeconomic consequences and policy implications from important technological trends that are underway and help the IMF develop new policy approaches in surveillance through the lens of technological change.

Use of Third-Party Indicators in IMF Reports

The IMF staff sometimes has to draw on other institutions' expertise and estimates when internal expertise is lacking or limited. The use of third-party indicators has played a role in supporting the IMF's evidence-based approach in priority areas such as risks and spillovers, macro-financial and macro-structural issues, and governance and corruption, as well as in the emerging areas of inequality, gender, and climate change.

The varying quality of third-party indicators, however, presents challenges and risks to the IMF's credibility. Some indicators are based on hard data, while others are based on qualitative assessment by experts, experience, perception, or composites of various underlying data sources. Problems may arise from the opacity of some third-party indicators' sources and methodologies, and regarding the quality and reliability of those based on perception or value judgment.

Acting on guidance from the Executive Board provided during FY2018, the IMF in September 2018 issued a guidance note that operationalizes a third-party-indicator framework consisting of three principles for best practice: transparency, robustness, and reflection of stakeholders' views.

DATA

Update on the Data and Statistics Strategy

In FY2019, the IMF continued to develop its Data and Statistics Strategy, which outlines a move toward an ecosystem of data and statistics that enables the IMF and its members to better meet the evolving data needs of a digital world.

A new data governance framework has been created to support the implementation of the strategy. The framework consists of a Chief Statistician and Data Officer for the IMF, who also serves as the Director of the Statistics Department; the Standing Committee on Data and Statistics, a high-level group in charge of stewardship and implementation of the Data and Statistics Strategy; and a Data Governance Group responsible for developing and monitoring the implementation of good data management policies, practices, and guidelines for IMF data.

As part of this strategy, a new data scientist professional track will further enable statistical innovation (including of big data and machine learning techniques) and facilitate its mainstreaming into the IMF's work. The IMF's publications program has also shifted from print to digital only for statistical publications effective January 2019. Users will continue to have online access to the data underpinning the publications.

Enhanced General Data Dissemination System

Under the enhanced General Data Dissemination System (e-GDDS), endorsed by the IMF Executive Board in May 2015, country authorities commit to publishing the data that support their ongoing policy dialogue with IMF staff. Publication—via the National Summary Data Page, a one-stop online data portal—follows the authorities' agreed on periodicity and timeliness, with data easily accessible, including for machine-to-machine transmission.

The effort is fostering international cooperation, with the African Development Bank and the Inter-American Development Bank providing material support for the installation of an information technology infrastructure (open data platform) that sustains National Summary Data Pages in selected countries in Africa and the Western Hemisphere.



Implementation of the e-GDDS proceeded in a number of countries during the year. These include Angola, Azerbaijan, The Bahamas, Bosnia and Herzegovina, Burkina Faso, Cambodia, the Dominican Republic, Fiji, The Gambia, Ghana, Kenya, Lao People's Democratic Republic, Myanmar, Oman, Pakistan, Panama, Serbia, Timor-Leste, Togo, Uzbekistan, the United Arab Emirates, and Vanuatu.

Special Data Dissemination Standard

Subscription to the Special Data Dissemination Standard enhances the availability of timely statistics, thereby contributing to sound macroeconomic policies and more efficient functioning of financial markets. During FY2019, Mongolia subscribed to the Special Data Dissemination Standard, the first case in Asia in which implementation of e-GDDS has facilitated advancement to the Special Data Dissemination Standard.

Special Data Dissemination Standard Plus

The highest tier of the IMF's Data Dissemination Initiatives, the Special Data Dissemination Standard Plus, is intended primarily for economies that play a leading role in international capital markets and whose financial institutions are globally interconnected. During FY2019, Finland, Latvia, Lithuania, and North Macedonia adhered to the Special Data Dissemination Standard Plus.

The number of countries publishing key economic indicators under the IMF Data Standards Initiatives increased from 83 to 121 between April 2017 and March 2019, representing a 46 percent increase.



Group of Twenty (G20) Data Gaps Initiative

In September 2018, the Financial Stability Board and the IMF published the third progress report on the implementation of phase two of the G20 Data Gaps Initiative (DGI-2). The report updates the work undertaken since September 2017 to advance implementation of recommendations aimed at addressing the data gaps identified after the global financial crisis and promoting the regular flow of timely and reliable statistics for policy use. The 2019 Data Gaps Initiative work program includes three thematic workshops (on real estate prices, sectoral accounts, and securities statistics) and the annual Global Conference. Progress on the overall initiative will be reported to the G20 Finance Ministers and Central Bank Governors in September 2019 in the *Fourth IMF/FSB Progress Report of the Second Phase of the DGI-2*.

Gaps in Financial Inclusion

The IMF's Financial Access Survey (FAS) collects annual data on access to and use of financial services—important pillars of financial inclusion. This year's survey, FAS 2018, expanded in three new dimensions: mainstreaming gender disaggregated data; reporting nonbranch retail agent outlets, a form of branchless banking; and tracking the number of debit and credit cards in circulation.

According to FAS data, retail agent outlets—typically including retail stores, post offices, and small businesses acting on behalf of banks—have made substantial inroads in south Asia and Latin America. Data also suggest that mobile money growth continues across regions, with low-income countries leading the way. On average, the number of mobile money accounts per 1,000 adults in a low-income country is more than twice the number of bank accounts per 1,000 adults. While mobile money growth shows no sign of ebbing in sub-Saharan Africa, other regions of the world are not far behind. Bangladesh, Indonesia, Pakistan, and the Philippines are some examples of countries experiencing high mobile money growth in Asia.

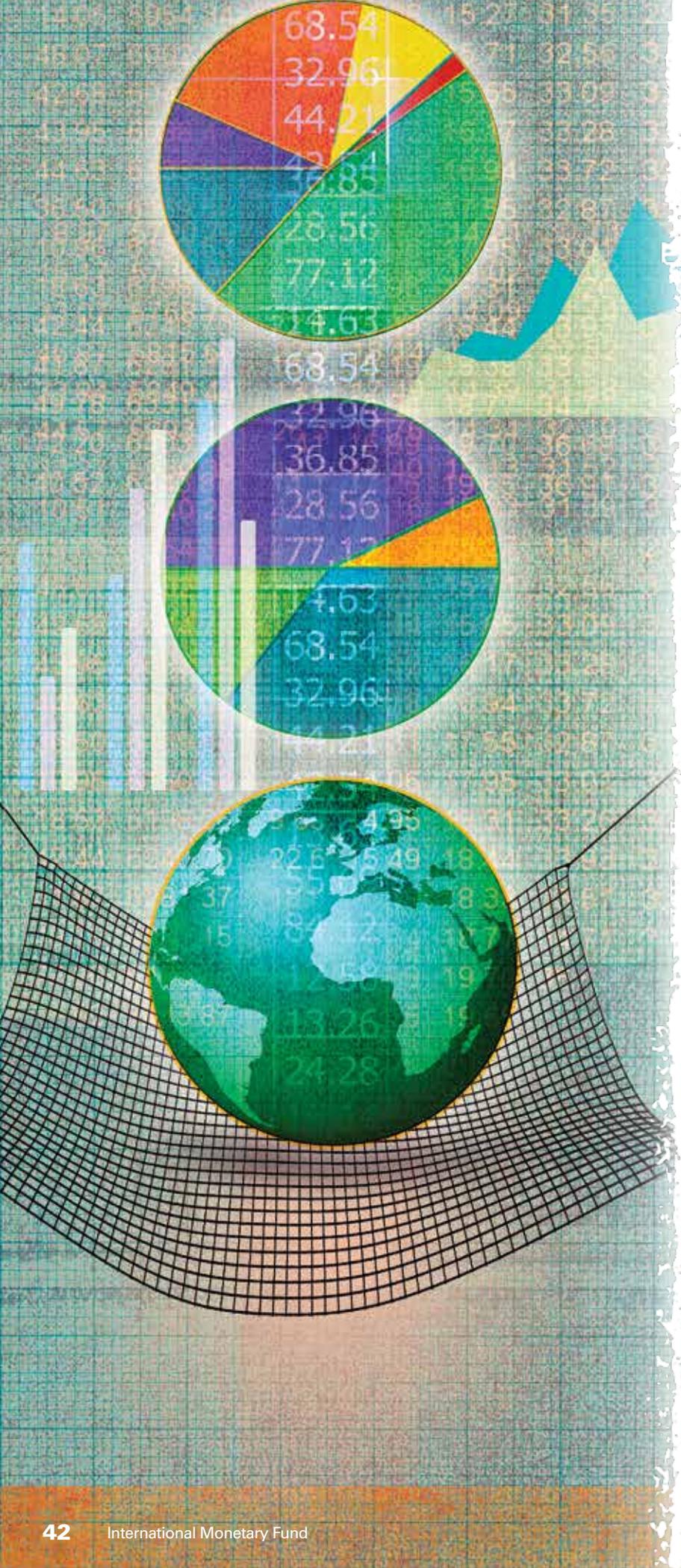


Gender-disaggregated data suggest varied progress on closing the financial inclusion gender gap. These variations across countries could be linked to cross-country differences such as those in women's labor force participation rates—something that merits further attention.

The FAS is based on administrative data collected by central banks or financial regulators from financial institutions and service providers. Currently, the data set covers 189 countries spanning more than 10 years and contains more than 100 time series on financial access and use. The FAS was funded by the Netherlands Ministry of Foreign Affairs until October 2018 and subsequently folded into the IMF's new Data for Decisions Fund, which currently supports the Financial Access Survey.

The Sixth IMF Statistical Forum: Measuring Economic Welfare in the Digital Age: What and How?

The sixth IMF Statistical Forum was held in Washington, DC, in November 2018 with a theme of measuring welfare in the digital age. The papers submitted considered practical steps toward a more people-focused approach to macroeconomic statistics and toward better understanding of the effects of digitalization. Questions addressed included income distribution measures for national accounts, the consumer surplus from free digital platforms such as Facebook and from online shopping, the value of data, and investment in open source software.



Lending

Unlike development banks, the IMF does not lend for specific projects but instead to member countries that experience balance of payments difficulties, to give them time to rectify economic policies and restore growth without having to resort to actions damaging to their own or other members' economies. IMF financing is meant to help member countries tackle balance of payments problems, stabilize their economies, and restore sustainable economic growth. This crisis-resolution role is at the core of IMF lending activities.

In broad terms, the IMF has two types of lending—loans provided at nonconcessional interest rates and loans provided to low-income countries on concessional terms, with interest rates that are low or in some cases zero. Currently, no concessional loans bear any interest.

The global financial crisis highlighted the need for an effective global financial safety net to help countries cope with potential adverse shocks. A key objective of recent lending reforms has therefore been to complement the IMF's traditional role of resolving crises with additional tools for preventing crises.

NONCONCESSIONAL FINANCING ACTIVITY

GRA Resources

The General Resources Account (GRA) is the principal account of the IMF, consisting of a pool of currencies and reserve assets that represent the paid subscriptions of member countries' quotas. It is the account from which the nonconcessional lending operations of the IMF are financed. In FY2019, the Executive Board approved seven new arrangements, as well as one augmentation (to Argentina) and one diminution (to Mexico) to two existing arrangements, under the IMF's nonconcessional financing instruments, amounting to a net total of SDR 50.5 billion (\$70.0 billion at the SDR/dollar exchange rate on April 30, 2019, of \$1 = SDR 0.721626). Two of these new arrangements were precautionary.

A Stand-By Arrangement (and subsequent augmentation) with Argentina (SDR 40.7 billion) accounted for nearly 70 percent of new commitments (excluding the diminution to Mexico of SDR 8,917.7 million). The remaining 30 percent comprised another Stand-By Arrangement with Ukraine (SDR 2,800.0 million); three extended arrangements under the Extended

Fund Facility with Barbados (SDR 208.0 million), Angola (SDR 2,673.0 million), and Ecuador (SDR 3,035.0 million); an arrangement under the Flexible Credit Line with Colombia (SDR 7,848.0 million); and an arrangement under the Precautionary and Liquidity Line with Morocco (SDR 2,150.8 million). Table 2.1 details the arrangements approved during the financial year, and Figure 2.1 shows the arrangements approved over the past 10 financial years.

During FY2019, disbursements under financing arrangements from the General Resources Account, referred to as "purchases," totaled SDR 34.0 billion (\$47.2 billion). Of these purchases, more than 93 percent were made by Argentina, Egypt, and Ukraine.

Total repayments, termed "repurchases," for the financial year amounted to SDR 8.2 billion (\$11.4 billion). Reflecting the significantly larger purchases relative to repurchases, the stock of General Resources Account credit outstanding increased to SDR 63.7 billion (\$88.3 billion) from SDR 37.9 billion (\$52.5 billion) a year earlier. Figure 2.2 shows the stock of nonconcessional loans outstanding during the past 10 financial years.

Table 2.1

Arrangements approved in the General Resources Account in FY2019

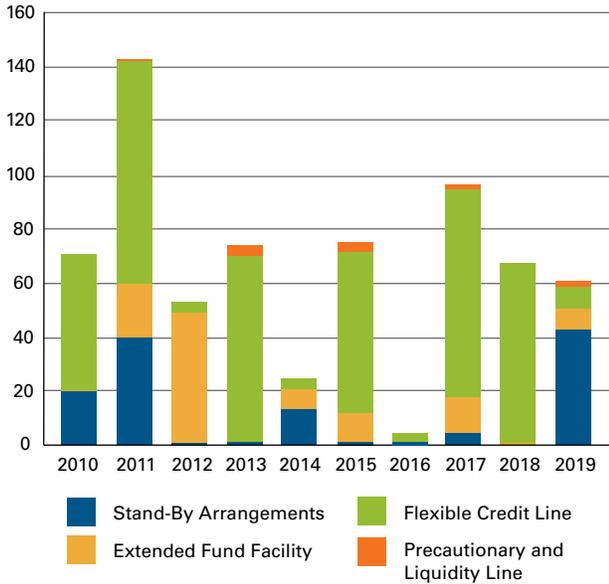
(Millions of SDRs)

Member	Type of arrangement	Effective date	Amount approved
NEW ARRANGEMENTS			
Colombia	24-month Flexible Credit Line	May 25, 2018	7,848.0
Argentina	36-month Stand-By Arrangement	June 20, 2018	35,379.0
Barbados	48-month Extended Fund Facility	October 1, 2018	208.0
Angola	36-month Extended Fund Facility	December 7, 2018	2,673.0
Morocco	24-month Precautionary and Liquidity Line	December 17, 2018	2,150.8
Ukraine	14-month Stand-By Arrangement	December 18, 2018	2,800.0
Ecuador	36-month Extended Fund Facility	March 11, 2019	3,035.0
Subtotal			54,093.8
AUGMENTATION/DIMINUTION OF EXISTING ARRANGEMENTS			
Argentina	Augmentation of 36-month Stand-By Arrangement	October 26, 2018	5,335.0
Mexico	Diminution of 24-month Flexible Credit Line	November 26, 2018	-8,912.7
Subtotal			-3,577.7
Total			50,516.1

Source: IMF Finance Department.

Figure 2.1
Arrangements approved in the General Resources Account during financial years ending April 30, 2010–19

(In billions of SDRs, Financial year)



Source: IMF Finance Department.
 Note: Chart shows amount of new arrangements in each fiscal year and does not include augmentations or diminutions of existing arrangements in fiscal years following program approval.

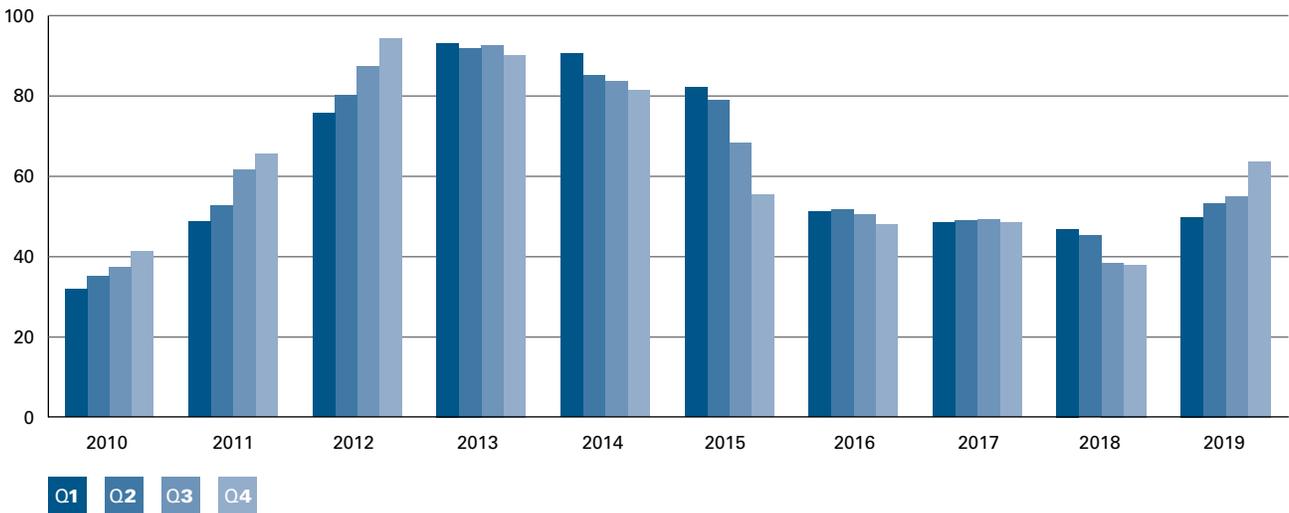
GRA Borrowing

The IMF is a quota-based institution, and its aggregate quota resources were doubled through implementation of the quota increases under the 14th General Review. However, borrowed resources continue to play a key role in supplementing quota resources. The New Arrangements to Borrow, a set of credit arrangements with 40 participants totaling about SDR 182 billion, serves as a second line of defense after quotas. On February 25, 2016, the IMF Executive Board terminated early the activation period under the New Arrangements to Borrow (which had originally covered October 1, 2015, through March 31, 2016) in light of the effectiveness of the 14th General Review of quotas on January 26, 2016.

The current set of New Arrangements to Borrow was renewed in November 2016 and became effective for the five-year period from November 17, 2017, to November 16, 2022.

Figure 2.2
Nonconcessional loans outstanding, FY2010–19

(Billions of SDRs)



Source: IMF Finance Department.



The IMF also has bilateral borrowing agreements that provide a third line of defense after quotas and the New Arrangements to Borrow. These agreements, under the 2016 borrowing framework, allow the IMF to maintain access on a temporary basis to bilateral borrowing from the membership and thereby to avoid a sharp contraction in lending capacity. Borrowing agreements under the 2016 framework have a common maximum term of December 31, 2020, with an initial term of December 31, 2019, extendable for an additional year with the consent of the creditors. As of April 30, 2019, 40 member countries had committed a total of about SDR 316 billion, or \$439 billion, in bilateral borrowing.

The General Arrangements to Borrow provided a more limited backstop to the IMF's quota resources when a proposal to activate the New Arrangements to Borrow was not accepted by its participants. The General Arrangements to Borrow did not add to the IMF's overall resource envelope, because its commitments reduced the amount available under the New Arrangements to Borrow by an equal amount. The General Arrangements to Borrow decision was not renewed when its term expired on December 25, 2018, following a unanimous agreement by participants to allow it to lapse.

Table 2.2
Financial terms under IMF General Resources Account credit

This table shows major nonconcessional lending facilities. Stand-By Arrangements have long been the core lending instrument of the institution. In the wake of the 2007–09 global financial crisis, the IMF strengthened its lending toolkit. A major aim was to enhance crisis prevention instruments through the creation of the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL). In addition, the Rapid Financing Instrument (RFI), which can be used in a wide range of circumstances, was created to replace the IMF's emergency assistance policy.

Credit facility (year adopted) ¹	Purpose	Conditions	Phasing and monitoring
Stand-By Arrangements (SBA) (1952)	Short- to medium-term assistance for countries with short-term balance of payments difficulties	Adopt policies that provide confidence that the member's balance of payments difficulties will be resolved within a reasonable period	Generally quarterly purchases (disbursements) contingent on observance of performance criteria and other conditions
Extended Fund Facility (EFF) (1974) (Extended Arrangements)	Longer-term assistance to support members' structural reforms to address long-term balance of payments difficulties	Adopt up to a four-year program, with a structural agenda and an annual detailed statement of policies for the subsequent 12 months	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions
Flexible Credit Line (FCL) (2009)	Flexible instrument in the credit tranches to address all balance of payments needs, potential or actual	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record	Approved access available up front throughout the arrangement period; two-year FCL arrangements are subject to a midterm review after one year
Precautionary and Liquidity Line (PLL) (2011)	Instrument for countries with sound economic fundamentals and policies	Sound policy frameworks, external position, and market access, including financial sector soundness	Large front-loaded access, subject to semiannual reviews (for one- to two-year PLL)
Rapid Financing Instrument (RFI) (2011)	Rapid financial assistance to all member countries facing an urgent balance of payments need	Efforts to solve balance of payments difficulties (may include prior actions)	Outright purchases without the need for full-fledged program or reviews

Source: IMF Finance Department.

¹ The IMF's lending through the General Resources Account (GRA) is financed primarily from the capital subscribed by member countries; each country is assigned a quota that represents its financial commitment. A member provides a portion of its quota in Special Drawing Rights (SDRs) or the currency of another member acceptable to the IMF and the remainder in its own currency. An IMF loan is disbursed or drawn by the borrower's purchase of foreign currency assets from the IMF with its own currency. Repayment of the loan is achieved by the borrower's repurchase of its currency from the IMF with foreign currency.

² The rate of charge on funds disbursed from the GRA is set at a margin (currently 100 basis points) over the weekly SDR interest rate. The rate of charge is applied to the daily balance of all outstanding GRA drawings during each IMF financial quarter. In addition, a one-time service charge of 0.5 percent is levied on each

Access limits ¹	Charges ²	Repayment schedule (years)	Installments
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 51 months) ³	4½–10	Semiannual
No preset limit	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
125% of quota for six months; 250% of quota available on approval of one- to two-year arrangements; total of 500% of quota after 12 months of satisfactory progress	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
Annual: 37.5% of quota (60% for large natural disasters); cumulative: 75% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly

drawing of IMF resources in the GRA, other than reserve tranche drawings. An up-front commitment fee (15 basis points on committed amounts of up to 115 percent of quota, 30 basis points for amounts in excess of 115 percent and up to 575 percent of quota, and 60 basis points for amounts in excess of 575 percent of quota) applies to the amount available for purchase under arrangements (SBAs, EFFs, PLLs, and FCLs) that may be drawn during each (annual) period; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement.

³ Surcharges were introduced in November 2000. A new system of surcharges took effect August 1, 2009, and was updated on February 17, 2016, with some limited grandfathering for existing arrangements.

Table 2.3

Concessional lending facilities

Three concessional lending facilities for low-income developing countries are available.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Objective	Help low-income countries achieve and maintain a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth		
Purpose	Address protracted balance of payments problems	Resolve short-term balance of payment needs	Low-access financing to meet urgent balance of payments needs
Eligibility	Countries eligible for assistance under the Poverty Reduction and Growth Trust (PRGT)		
Qualification	Protracted balance of payments problem; actual financing need over the course of the arrangement, though not necessarily when lending is approved or disbursed	Potential (precautionary use) or actual short-term balance of payments need at the time of approval; actual need required for each disbursement	Urgent balance of payments need when upper-credit-tranche (UCT) program is either not feasible or not needed ¹
Poverty Reduction and Growth Strategy	IMF-supported program should be aligned with country-owned poverty reduction and growth objectives and should aim to support policies that safeguard social and other priority spending		
	Submission of Poverty Reduction Strategy (PRS) document	Submission of PRS document not required; if financing need persists, SCF user would request an ECF arrangement with associated PRS documentation requirements	Submission of PRS document not required
Conditionality	UCT-quality; flexibility on adjustment path and timing	UCT-quality; aim to resolve balance of payments need in the short term	No ex post conditionality; track record used to qualify for repeat use (except under the shocks window and the natural disasters window)
Access Policies	Annual limit of 75% of quota; cumulative limit (net of scheduled repayments) of 225% of quota. Limits are based on all outstanding PRGT credit. Exceptional access to PRGT resources: annual limit of 100% of quota; cumulative limit (net of scheduled repayments) of 300% of quota		
	Norms and sublimits ²		
	The access norm is 90% of quota per three-year ECF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per three-year arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	The access norm is 90% of quota per 18-month SCF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per 18-month arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	There is no norm for RCF access. Sublimits (given lack of UCT conditionality): total stock of RCF credit outstanding at any point in time cannot exceed 75% of quota (net of scheduled repayments). The access limit under the RCF over any 12-month period is set at 18.75% of quota, under the “shocks window” at 37.5% of quota, and under the “large natural disasters window” at 60% of quota. Purchases under the RFI made after July 1, 2015, count toward the applicable annual and cumulative RCF limits.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Financing Terms³	Interest rate: Currently zero Repayment terms: 5½–10 years	Interest rate: Currently zero Repayment terms: 4–8 years Availability fee: 0.15% on available but undrawn amounts under precautionary arrangement	Interest rate: Zero Repayment terms: 5½–10 years
Blending Requirements with General Resources Account (GRA) Financing	Based on income per capita and market access; linked to debt vulnerability. For members presumed to blend, blending of PRGT:GRA resources takes place in the ratio 1:2.		
Precautionary Use	No	Yes, annual access at approval is limited to 56.25% of quota while average annual access at approval cannot exceed 37.5% of quota	No
Length and Repeated Use	3–4 years (extendable to 5); can be used repeatedly	12–24 months; use limited to 2½ of any 5 years ⁴	Outright disbursements; repeated use possibly subject to access limits and other requirements
Concurrent Use	General Resources Account (Extended Fund Facility/Stand-By Arrangement)	General Resources Account (Extended Fund Facility/Stand-By Arrangement) and Policy Support Instrument	General Resources Account (Rapid Financing Instrument and Policy Support Instrument); credit under the RFI counts toward the RCF limits

Source: IMF Finance Department.

¹ UCT-quality conditionality is the set of program-related conditions intended to ensure that IMF resources support the program's objectives, with adequate safeguards to the IMF resources.

² Access norms do not apply when outstanding concessional credit is above 150% of quota. In those cases, access is guided by consideration of the access limit of 225% of quota (or exceptional access limit of 300% of quota), expectation of future need for IMF support, and the repayment schedule.

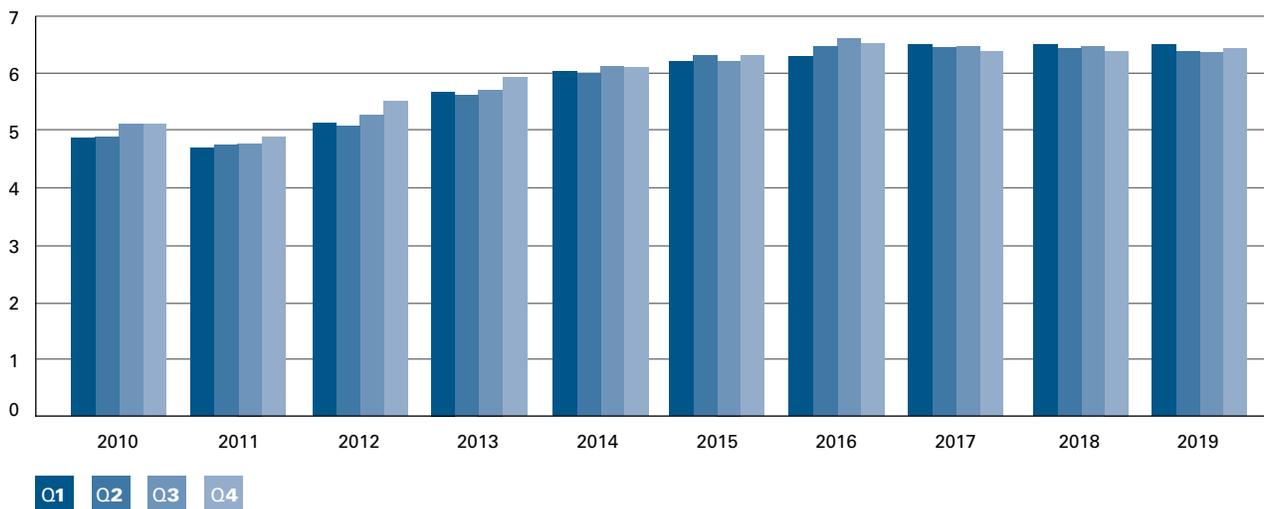
³ The IMF reviews interest rates for all concessional facilities every two years. At the latest review in October 2016, the Executive Board approved zero interest rates on the ECF and SCF through the end of December 2018 and a modification of the interest mechanism ensuring that rates remain at zero for as long as (and whenever) global rates are low. In July 2015, the Executive Board permanently set the interest rate on the RCF to zero. In December 2018, the Executive Board extended the zero percent interest rate on outstanding balances of PRGT loans under the ECF, SCF, and Exogenous Shocks Facility through the end of June 2019.

⁴ SCFs treated as precautionary do not count toward the time limits.

Figure 2.3

Concessional loans outstanding, FY2010–19

(Billions of SDRs)



Source: IMF Finance Department.

CONCESSIONAL FINANCING ACTIVITY

In FY2019, the IMF committed loans amounting to SDR 235.1 million (\$325.72 million) to its low-income developing member countries under programs supported by the Poverty Reduction and Growth Trust. Total concessional loans outstanding to 52 members amounted to SDR 6.45 billion at the end of April 2019. Table 2.4 details the new arrangements and augmentations of access under existing arrangements under the IMF's concessional financing facilities. Figure 2.3 illustrates amounts outstanding on concessional loans over the past decade.

The IMF's framework for concessional financing is regularly reviewed to take account of changing needs. In 2015, the financial safety net for low-income countries was enhanced as part of the international community's wider efforts to support countries in pursuing the Sustainable Development Goals. Key changes included (1) a 50 percent increase in Poverty Reduction and Growth Trust access norms and limits; (2) rebalancing the funding mix of concessional and nonconcessional resources provided to countries that receive IMF financial support in the form of a blend of Poverty Reduction and Growth Trust and General Resources Account resources from a 1:1 to a 1:2 ratio; and (3) setting the interest rate permanently at zero on fast-disbursing support under the Rapid Credit Facility to assist countries in fragile situations and those affected by natural disasters.

An Executive Board discussion in November 2016 clarified various aspects related to applying this financial safety net, including Poverty Reduction and Growth Trust–eligible members' access to the General Resources Account, policies on blending, and the role of norms in determining access. In addition,

- In October 2016, interest rates on all concessional loans were set to zero until December 31, 2018, and the interest-rate-setting mechanism was modified so that interest rates will remain at zero as long as and whenever global interest rates are low. In December 2018, the Executive Board decided that the interest rate of zero percent a year would continue to be applied to outstanding balances of Poverty Reduction and Growth Trust loans under the Extended Credit Facility and the Stand-By Credit Facility through the end of June 2019.
- In May 2017, the Executive Board discussed options to better assist countries, including Poverty Reduction and Growth Trust–eligible members, faced with sudden balance of payments pressures due to major natural disasters. Executive Directors supported a proposal to increase the annual access limit under the Rapid Credit Facility and Rapid Financing Instrument from 37.5 to 60 percent of quota for countries hit by large natural disasters.

The 2018–19 Review of Facilities for Low-Income Countries was initially discussed with the Executive Board in July 2018 to evaluate the experience with the use of concessional facilities and examine options to modify the existing facilities. (The review was completed in May 2019 after the end of the fiscal year covered in this report. The *2020 Annual Report* will report on the completion of this review.) Initial discussions focused on

two broad themes that emerged from consultations with stakeholders and from the staff review of experience: (1) the need to update access policies and financing terms while maintaining adequate safeguards for the resources of the Poverty Reduction and Growth Trust; and (2) the need to explore aspects of the facilities that require additional flexibility to support a very diverse set of potential borrowers. This review is an opportunity for a comprehensive reassessment of the adequacy of the IMF's toolkit for meeting low-income countries' current needs. It is part of a wider policy agenda that includes the Review of Conditionality and Design of Fund-Supported Programs (also to be covered in the *2020 Annual Report*), as well as the implementation of an upgraded Debt Sustainability Framework for low-income countries.

A fundraising round was started in 2015 to support continued concessional lending by the IMF for its poorest and most vulnerable members, and it mobilized SDR 11.4 billion in new Poverty Reduction and Growth Trust loan resources, exceeding its original objective to raise up to SDR 11 billion. Of the 28 potential lenders approached—including 14 new lenders

from among both emerging market and advanced economies—15 had committed to new borrowing agreements as of April 30, 2019. These included two new lenders, Brazil and Sweden.

Regarding debt relief, the Heavily Indebted Poor Countries Initiative has been largely completed. A total of 36 countries, out of 39 of those eligible or potentially eligible, benefited from Heavily Indebted Poor Countries Initiative relief. This includes Chad, the latest beneficiary, which received debt relief in the amount of SDR 17 million in April 2015. The IMF can also provide grants for debt relief to eligible countries through the Catastrophe Containment and Relief Trust, established in February 2015. The Catastrophe Containment and Relief Trust provides exceptional support to countries confronting balance of payments difficulties resulting from major natural disasters, such as massive earthquakes; from life-threatening, fast-spreading epidemics with the potential to affect other countries; and from other types of catastrophes. To date, three countries (Guinea, Liberia, Sierra Leone) have benefited from debt relief under the Catastrophe Containment and Relief Trust. In addition, in 2010, Haiti received SDR 178 million in debt stock relief under the former Post-Catastrophe Debt Relief Trust.

Table 2.4
Arrangements and outright loans approved and augmented under the Poverty Reduction and Growth Trust in FY2019

(Millions of SDRs)

Member	Effective date	Amount approved
NEW THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENTS		
Sierra Leone	November 30, 2018	124.4
Subtotal		124.4
AUGMENTATIONS OF EXTENDED CREDIT FACILITY ARRANGEMENTS¹		
Guinea-Bissau	June 1, 2018	5.7
Niger	December 10, 2018	19.7
Subtotal		25.4
NEW RAPID CREDIT FACILITY		
Mozambique	April 19, 2019	85.2
Subtotal		85.2
Total		235.1

Source: IMF Finance Department.

¹ For augmentation, only the amount of the increase is shown.



POLICY COORDINATION INSTRUMENT

The Policy Coordination Instrument, established in 2017, is designed to help countries unlock financing from official and private donors and creditors, as well as demonstrate a commitment to a reform agenda. It enables a policy dialogue between the IMF and countries and monitoring of economic

developments and policies, as well as Board endorsement of those policies. The key design features draw on IMF financing arrangements and the Policy Support Instrument, with some differences. These include no eligibility requirements (it is open to the full membership), a more flexible review schedule, and a review-based approach for monitoring of conditionality.

In FY2019, the Board continued to monitor progress of the Policy Coordination Instrument with Seychelles and approved a Policy Coordination Instrument for Serbia.

Serbia

Serbia was the second IMF member country to request a Policy Coordination Instrument following the completion of the precautionary Stand-By Arrangement in February 2018. The country has made considerable progress toward restoring fiscal sustainability and improving the macroeconomic situation under the IMF program, and the economic outlook remains positive. However, it remains susceptible to spillovers from regional and global developments and market volatility, including potential increased risk aversion for emerging markets.

In July 2018, the Executive Board approved a 30-month Policy Coordination Instrument for Serbia. The Policy Coordination Instrument aims to maintain macroeconomic and financial stability and advance an ambitious structural and institutional reform agenda to foster rapid and inclusive growth, job creation, and improved living standards. Program reviews will take place on a semiannual fixed schedule. Although the Policy Coordination Instrument involves no use of IMF financial resources, successful completion of program reviews will help signal Serbia's commitment to continued strong macroeconomic policies and structural reforms.



POLICY SUPPORT INSTRUMENT

For low-income developing countries that do not want or need an IMF loan, a flexible tool can access the Policy Support Instrument to secure IMF advice and support without a borrowing arrangement. It is a valuable complement to the IMF's lending facilities under the Poverty Reduction and Growth Trust. The Policy Support Instrument helps countries design effective economic programs. And it delivers clear signals to donors, multilateral development banks, and markets: the IMF endorses the strength of a member's policies.

The Policy Support Instrument is designed to promote a close policy dialogue between the IMF and a member country, usually through semiannual IMF assessments of the member's economic and financial policies. It is available to Poverty Reduction and Growth Trust-eligible countries with a poverty reduction strategy and a policy framework focused on consolidating macroeconomic stability and debt substantiality while deepening structural reforms in key areas of constrained growth and poverty reduction. Such reforms support strong and durable poverty reduction and growth for countries whose institutions are capable of supporting continued good performance. In general, policies under the Policy Support Instrument aim to consolidate macroeconomic stability and push ahead with structural measures to boost growth and jobs. These include measures to improve public sector management, strengthen the financial sector, and build up social safety nets. The IMF's Executive Board program reviews play a critical role in assessing performance under the program and allowing it to adapt to economic developments.

In FY2019, the Board completed reviews of the Policy Support Instrument for Rwanda and Senegal.

POST-PROGRAM MONITORING

When a member country borrows money from the IMF, its policies come under closer scrutiny. Once a country has completed its lending program, it may be subject to Post-Program Monitoring, which is an important part of the IMF's safeguard architecture. Such monitoring is generally expected for all member countries that have substantial IMF credit outstanding following the expiration of their programs. The aim is to identify risks to these member countries' medium-term viability and provide early warnings of risks to the IMF's balance sheets. Should it become necessary, IMF staff will advise on policy actions to correct macroeconomic imbalances.

In FY2019, the Executive Board reviewed Post-Program Monitoring progress made by Cyprus and concluded the first such discussions with Albania and Greece.

Albania

In May 2018, the Executive Board concluded the first Post-Program Monitoring discussion with Albania. The Albanian economy has continued to strengthen, with real GDP growth at 3.8 percent (year over year) during 2017, reflecting strong domestic demand driven by a revival in construction, recovery in the labor market and household credit, and large energy-related foreign direct investment projects. Although the ratio of public debt to GDP declined, the pace of fiscal consolidation has slowed since the end of the program, and arrears have accumulated. The current account deficit narrowed to 6.9 percent of GDP, supported by tourism and other services exports, and the level of foreign exchange reserves remains comfortable. Inflation is low, and although credit growth is weak, banks are liquid and stable.

Despite the favorable environment and positive short-term outlook, risks and vulnerabilities remain, emanating from high public debt, nonperforming loans in the financial sector, and weaknesses in public institutions and the judicial system. A slowdown in reforms or spillovers from external shocks could undermine growth prospects and confidence, adversely affecting debt dynamics and creating financing pressures on the government. On the upside, the opening of EU accession negotiations can provide a window of opportunity to lift

implementation of the reform agenda, leading to higher investment and GDP growth.

Executive Directors noted that Albania is enjoying strong economic growth, but it may not last without a significant push for structural reforms. It is therefore critical that the government use the good times to push the reform agenda to lift potential growth and position the country to benefit from potential EU accession.

Greece

In March 2019, the Executive Board concluded the first Post-Program Monitoring discussion for Greece.

The economic recovery in Greece is accelerating and broadening. Growth is projected to reach 2.4 percent this year (up from an estimated 2.1 percent in 2018), supported by exports, private consumption, and investment as sentiment improves. A gradual recovery in private deposits has facilitated a further relaxation of capital flow management measures, though bank lending remains negative. Over the medium term, economic expansion is expected to slow to just above 1 percent.

Greece's medium-term debt repayment capacity is adequate, but subject to rising risks amid still significant vulnerabilities. Debt to GDP is projected to remain on a downward trajectory in the medium term thanks to continued high primary surpluses agreed to with European partners, nominal GDP growth, and debt relief, which provided for a substantial precautionary cash buffer and low debt service on official loans.

However, risks (both domestic and external) have intensified, and crisis legacies—including high public debt and impaired private balance sheets—and weak payment discipline continue to pose significant vulnerabilities.

Executive Directors noted that further efforts are needed to lock in competitiveness gains, enhance productivity, and ensure labor market flexibility. They expressed concern about the risks to employment and competitiveness from the combination of the recent reversal of the 2012 collective bargaining agreement reform and the increase in the statutory minimum wage, which was well above productivity growth.

Capacity Development

Strengthening the capacity of institutions, such as central banks and finance ministries, results in more effective policies and greater economic stability and inclusion. That is why the IMF works with countries to strengthen these institutions by providing technical assistance and training focused on issues that are critical to economic stability.

INTRODUCTION

Capacity development is one of the three core functions of the IMF, along with lending and surveillance activities, and accounts for 30 percent of its budget. Capacity development helps member countries build effective policies and institutions to strengthen their economies, promote inclusive growth, and create jobs. The IMF has increasingly recognized that to serve its members well, capacity development cannot be a secondary or isolated activity. As such, considering capacity development in an integrated manner with surveillance and lending is an opportunity to realize potential synergies between its core functions and better serve its members. The IMF is uniquely positioned to support its members with its global reach and three-pronged mandate. The wealth of specialized knowledge and expertise in its capacity development work can strengthen the relevance, efficiency, and traction of its policy advice. Regular engagement with high-level policymakers can strengthen the targeting, visibility, and effectiveness of capacity development. The IMF is also well positioned to act as a knowledge hub and support knowledge sharing, peer learning, and coordination among capacity development providers to reinforce these efforts.

The IMF delivers capacity development through missions led by staff from IMF headquarters in Washington, DC; short-term expert visits; long-term in-country placements of resident advisors; a network of regional capacity development centers; and online learning. Sixteen regional centers help the IMF respond quickly to a country's emerging needs and allow for closer coordination with other development partners. A well-structured and comprehensive vision ensures that each effort is focused on economic institution building and is aligned with a country's development priorities. These efforts are supported by bilateral and multilateral partners that currently finance about half of the IMF's capacity development efforts, including through their support for the regional centers.

Over the past 50 years, the IMF has provided capacity development support to all 189 member countries in line with their priorities. In FY2019, low-income developing countries received about half of all IMF technical advice. Emerging market and middle-income economies received slightly more than half of IMF policy-oriented training.

As countries work toward achieving the Sustainable Development Goals, the IMF's capacity development efforts focus on the following fundamental areas:

- *Fiscal policy:* Helping governments better mobilize revenues and effectively manage expenditure, via tax and customs policies and strengthened revenue institutions, budget formulation, public financial management, domestic and foreign debt, and social safety nets. This enables governments to maintain fiscal sustainability; enhance infrastructure such as schools, roads, and hospitals; improve social safety nets; and attract greater investment.
- *Monetary and financial sector policies:* Working with central banks to modernize their monetary and exchange rate policies, frameworks, and implementation; with financial sector regulators and supervisors to strengthen their financial infrastructure and institutions; and with other relevant groups to build and enhance macroprudential oversight and crisis management capacity. These efforts help improve macroeconomic and financial stability in the country, fueling domestic growth and international trade.
- *Legal frameworks:* Aligning legal and governance frameworks with international standards, enabling countries to develop sound fiscal and financial reforms, fight corruption, and combat money laundering and terrorism financing.
- *Statistics:* Enhancing countries' ability to compile and disseminate macroeconomic and financial data to foment a more accurate understanding of their economies, enhance evidence-based policy formulation, foster transparency and accountability, and support the achievement of the Sustainable Development Goals.
- *Macroeconomic policymaking:* Strengthening the skills of officials to formulate and implement sound macroeconomic and financial policies, deepening the dialogue with members on policy issues and facilitating sharing of policy experiences through peer-to-peer learning.

The IMF's capacity development work, as well as its policy advice and research, is helping member countries tackle their development priorities, including the following:

- **Reducing inequality:** The IMF trains policymakers to implement inclusive policies such as expenditure and subsidy reform and progressive taxation and financial inclusion, including through new financial technologies. It also provides analytical, operational, and monitoring tools that countries need to abolish inequality.
- **Gender equality:** IMF capacity development and training on gender equality have expanded to include training for government officials, peer learning workshops, and technical assistance missions in gender-responsive budgeting.
- **Climate action:** The IMF works with countries on environmental tax reform and efficient energy pricing to minimize the effects of climate change. It also helps create robust frameworks and public financial management plans to prepare countries for natural disasters and climate-related shocks. IMF staff members have engaged with experts in leading central banks on developing stress testing tools for climate risks.



Capacity Development Strategy Review

In November 2018, the Executive Board discussed the Review of the IMF's Capacity Development Strategy. The review focused on two mutually reinforcing objectives: enhancing the impact and increasing the efficiency of capacity development. The impact of capacity development should be increased by further strengthening integration with the IMF's policy advice and lending operations and by tailoring strategies to each country's institutional capacity and specific needs, while focusing on implementation and outcomes. The efficiency of capacity development should be increased by improving capacity development processes and systems—aimed at enhancing transparency and accountability—and strengthening the basis for strategic decision-making.

Five specific areas of recommendation underpin the capacity development strategy:

- Clearer roles and responsibilities of internal and external stakeholders, with country authorities playing a leading role throughout the capacity development process, giving due consideration to institutional and capacity constraints. Such a country-centered strategy requires area departments to be in the leading role on overall country engagement, including establishing country strategies and priorities for capacity development, taking into account the country's own strategy, and working in collaboration with capacity development departments.
- Better prioritization and monitoring of activities, with the move to a medium-term orientation of capacity development planning and further strengthening of overall monitoring of capacity development activities.
- Enhanced country-tailored delivery, building on existing strategies to move toward greater modernization and agility in capacity development delivery, via continued experimentation with innovative technologies.
- More effective internal consultation and information sharing on capacity development activities within the IMF, via regular Executive Board engagement leveraging initiatives, such as Knowledge Management, the Digital Workplace, and the Capacity Development Management and Administration Program.



- Stronger external coordination with other capacity development providers, innovative communication approaches to raise awareness of the IMF's capacity development work in this area, improving the presentation of recommendations in technical assistance reports, and publishing more topical notes and technical assistance reports while preserving confidentiality and client trust.

The following pages highlight priority areas and country examples from each core area of IMF capacity development.

HIGHLIGHTS: FISCAL

Revenue Administration

Revenue mobilization is critical for countries to secure resources for sustainable development and, in the case of low-income countries, to reduce dependence on external aid. The IMF has continued to design innovative approaches to strengthen revenue administration.

In the first event of its kind, the IMF organized a workshop, "Revenue Mobilization in the Caribbean and Pacific: Common Issues—Different Approaches," in July 2019, convening representatives from 35 small island states to share knowledge and experiences of their unique revenue challenges. Country delegates benefited from this exchange of ideas and increased their commitment to implementing revenue reforms.

The IMF also conducted a series of interactive workshops with the executive leadership team of a European revenue administration. The workshop, in February 2019, focused on developing key skills to build a strong headquarters where senior managers work collaboratively toward implementing an ambitious reform agenda while ensuring efficient delivery of day-to-day operations. This helped the leadership focus more on organizational performance and reform governance, resulting in better reform outcomes.

Tax Policy

Good tax policies help meet revenue objectives and ensure that the tax systems support robust, inclusive, and equitable growth. IMF experts have been providing assistance in this area.

In Guinea, following a surge in investments in mines, authorities became increasingly concerned about the capacity of the tax system to effectively deal with transfer pricing issues, and thus to mobilize higher revenue. The IMF suggested using this opportunity for a full review of international taxation provisions and sent a mission in September 2018. The IMF experts proposed rules and processes that were aligned with local conditions and translated these recommendations into specific legal texts. The urgency of the situation resulted in immediate adoption of the proposed international taxation provisions in the 2019 budget.



In the Central African Economic and Monetary Community (CEMAC), after a sharp decline in commodity prices in 2014, countries took steps to achieve fiscal consolidation by streamlining nonpriority expenditures, but it became apparent that more needed to be done in terms of mobilizing additional tax revenue. To help achieve region-wide reforms, the IMF conducted sustained technical assistance activities between 2017 and 2019 to establish a diagnostic, formulate policy recommendations, and assist with the legal drafting of new regional directives. As a result, in April 2019, CEMAC formally endorsed the adoption of a new Excise Tax Directive, which is expected to assist member countries in mobilizing significant additional tax revenues over the coming years.

Public Financial Management and Expenditure Policy

The IMF has continued to help countries strengthen infrastructure governance to maximize the growth impact of public investment through assessments and capacity building.

The IMF conducted Public Investment Management Assessments in 18 countries in FY2019, bringing the total number to 53. These assessments help authorities identify necessary reform measures to strengthen infrastructure governance. In Vietnam, recommendations to introduce multiyear planning for public investment and strengthen appraisal of projects served as a critical input for the revision of their public investment laws. In Lebanon, findings led to further development of the framework for identifying and assessing fiscal risks with a focus on public-private partnerships.

The IMF organized various regional seminars and workshops to build capacity. In Vietnam and Ghana, regional high-level seminars on infrastructure governance took place to promote peer-to-peer learning and experience sharing among government officials in Asia and Africa, respectively. In the Caribbean region, the IMF organized three regional workshops over three years to provide hands-on training to government officials using the Public-Private Partnership Fiscal Risk Assessment Model—a tool designed to assess the fiscal implications of public-private partnership. Outcomes included a regional survey on public-private partnership management frameworks and practices and a paper with a road map to improve their fiscal management.

Fiscal transparency remains critical to effective fiscal management and accountability, and the Fiscal Transparency Code and Evaluation are the key elements of the IMF's ongoing efforts to support its member countries in this area. In June 2019, the IMF conducted a Fiscal Transparency Evaluation of Uzbekistan to identify gaps in fiscal transparency practices and develop a detailed action plan. Following the evaluation, the authorities issued a presidential decree to ensure budget openness and public participation in the budget and developed a road map to expand the coverage and quality of fiscal reports. These reforms were incorporated into the 2019 budget documentation. The IMF also held its first regional fiscal transparency peer-to-peer workshop for Francophone sub-Saharan Africa in Dakar, bringing together governments, development partners, and civil society.

The IMF continued to support fragile states to strengthen their public financial management capacity. In Guinea, the authorities prepared and adopted, with support from the IMF and financing from the European Union, a public financial management strategy and action plan for the next four years (2019–22) drawing on the findings of the public expenditure and financial accountability assessment and Public Investment Management Assessment, both conducted by the IMF in 2018. With IMF support, they have also been operating a treasury single account at the central bank since January 2019 for better cash management.

HIGHLIGHTS: MONETARY

IMF capacity development efforts in strengthening the monetary and financial sectors are particularly important in the current delicate state of the global economic outlook. Strong demand for capacity development in FY2019 covered a wide range of core thematic areas: financial regulation and supervision; central bank operations, including on exchange rate management, macroprudential policy, and financial stability; debt management; crisis prevention and management; and financial stability reviews. The IMF also continued building capacity to better support the membership in emerging areas such as cyber risk and fintech and remained very engaged in the modernization of the governance and delivery of technical assistance at the IMF.

Guided by the IMF-set priorities and the Monetary and Capital Markets Department's 2017–20 medium-term strategy, technical assistance delivery in the field comprised 75 full-time equivalents in FY2019, covering more than 137 beneficiary jurisdictions—bilateral institutions and regional bodies—across the globe. Sub-Saharan Africa was the largest recipient (40 percent in FY2019), followed by Asia and the Pacific and the Middle East and Central Asia. Major efforts continue to target low-income and fragile states as well as emerging and transition economies. Capacity building in the areas of financial stability, notably within the Financial Sector Stability Review workstream, saw the biggest growth.

Flexible technical assistance delivery modalities have proved particularly important in attaining good results in the past years. With the support of donors, the IMF stationed 36 bilateral long-term experts across all regions and rolled out the Financial Sector Stability Review as a demand-led technical assistance instrument to help low- and lower-middle-income countries detect risks and vulnerabilities in financial sectors and prepare a comprehensive and sequentially prioritized technical assistance road map for capacity building to address challenges. In FY2019 there were six diagnostic reviews (Cambodia, Kosovo, Nicaragua, Sri Lanka, West Bank and Gaza, Zimbabwe), and five more are planned for FY2020 (Bangladesh, Djibouti, The Gambia, Guinea, Rwanda). Follow-up implementation work on the Technical Assistance Roadmap progressed in three other Financial Sector Stability Review countries (Costa Rica, Fiji, Paraguay) with the support of IMF resources; work has also started in Uganda with Financial Sector Stability Fund support. In addition, under the umbrella of the Financial Sector Stability Fund, the pilot program of the Bank for International Settlements Financial Stability Institute–IMF Supervisory and Regulatory Online Course was completed in February 2019.

These are some other examples of IMF monetary and financial sector technical assistance:

- Argentina: Supporting program implementation efforts with capacity development on domestic debt management and the monetary policy implementation framework
- Cambodia: Assisting the authorities in revising and implementing several critical banking sector regulations in areas such as capital and loan impairment provisioning

- Gabon: Working with the Bank of Central African States to enhance its monetary operations framework
- Haiti: Modernizing the supervisory framework and capacity and introducing risk-based banking supervision
- Mauritius: Helping authorities upgrade contingency planning for crisis preparedness and management and presenting to Parliament a legislative package with a new resolution and crisis management regime together with other supporting reforms
- Montenegro: Strengthening the formulation of medium-term debt management and market relations strategies
- Myanmar: Helping the authorities implement prudential regulations in the banking system, enhance supervisor capacity and develop contingency plans, and support development of the money and foreign exchange markets
- Somalia: Supporting the central bank in building the essential foundations for effective supervision by reinforcing bank licensing and supervision
- Continued engagement with program countries (for example, Afghanistan, Georgia, Ukraine)

HIGHLIGHTS: STATISTICS

The IMF's work in statistical capacity development is crucial to allow member countries to formulate policies based on timely and comparable macroeconomic and financial statistics. Capacity development has doubled since 2011, with more than 700 technical assistance and training activities in FY2019. This has positioned the IMF among the top five global providers of statistical capacity development. The IMF's capacity development in statistics is buttressed by its global leadership role in statistical methodologies and as an international standard-setter, as well as by the close nexus of this capacity development with IMF surveillance and lending operations.

In April 2019, the *2019 Financial Soundness Indicators Guide* was released. The guide updates the IMF Statistics Department's methodological guidance on the concepts and definitions, data sources, and methods for the compilation and dissemination of financial soundness indicators. It includes new indicators to expand sectoral coverage, including other financial intermediaries, money market funds, insurance corporations, pension funds, nonfinancial corporations, and households.

A new medium-term architecture for capacity development in statistics further improves the targeting and efficiency of delivery and facilitates reacting in an agile fashion to evolving global priorities and challenges from technological innovation. In this architecture, work through the Regional Capacity Development Centers, which focuses on improving the methodological framework for statistical compilation, is complemented by multidonor thematic funds such as the Financial Sector Stability Fund and the Data for Decisions (D4D) Fund, launched in June 2018.

With a broad mandate to enhance data availability and quality for decision-making, the D4D Fund allows for a flexible response to member countries' priority data needs in a more challenging international environment and addressing newly emerging data requirements from the global policy dialogue. For example, in response to rising global concerns about debt transparency, the D4D Fund is front-loading capacity development activities on debt statistics.





In addition to technical assistance missions and workshops that are tailored to address the most pressing economic risks from limited coverage of debt statistics, an online learning course on debt statistics is being developed under the D4D Fund to broaden the reach of the IMF's traditional face-to-face training. Over time, funding under the D4D Fund will allow the IMF to deliver a comprehensive online learning curriculum for all areas of economic statistics at no cost to the public.

Another example of the D4D Fund's response to the needs of policymaking is on financial inclusion. The D4D Fund sustains the availability and further enhancement of the Financial Access Survey, a unique survey covering 189 countries and collecting annual data on financial inclusion in a cost-efficient manner from the supply side (for example, central banks, regulatory agencies). This includes gender-specific data to support policymakers in decisions on how to improve women's access to financial services—one of the key avenues to improving women's access to opportunities. With the 2018 Financial Access Survey, gender-disaggregated data collection has been mainstreamed, supported by workshops to enhance countries' reporting to the survey and further widen its coverage.

Statistical capacity development plays a key role in implementing the IMF's new Overarching Strategy on Data and Statistics, launched in March 2018. The strategy aims to move toward an ecosystem of data and statistics that enables the IMF and its members to better meet the changing data needs of a digital world. To tackle the challenge of how to properly reflect technological changes in statistics and use

new technologies in measuring economic trends, the IMF is partnering with emerging market economies that are thriving amid digital innovation. For example, supported by the D4D Fund, a technical assistance project in Indonesia explored the use of big data to compile high-frequency price data. Capacity development projects for real estate price indices aim to address challenges to generating source data through big data in order to establish an early warning system for real estate bubbles, which can quickly threaten financial sector stability.

Sound economic data are essential for monitoring the Sustainable Development Goals, as more than one-third of these indicators are compiled directly or indirectly using economic variables for measurement purposes. For example, many Sustainable Development Goals use economic statistics such as GDP, exports, and fiscal revenues as their denominator. Because the main beneficiaries of its statistics capacity development are low- and lower-middle-income countries, especially fragile states, the IMF is well positioned to help support the monitoring of the Sustainable Development Goals. In the case of Liberia, GDP estimates for the period 2008–16 were published for the first time after the country received IMF technical assistance. Finally, 39 out of 42 fragile and conflict-affected states reported financial access and use data to the 2018 Financial Access Survey. In addition to its capacity development activities to help enhance monitoring of the Sustainable Development Goals, the IMF was chosen by the international community as custodian agency for four indicators covering financial stability, financial access, and fiscal variables.

Box 2.1 Capacity development: GDP rebasing in IMF member countries

In FY2019, the IMF Statistics Department provided support and advice on national accounts compilation, including GDP rebasing. In many cases, these changes have led to large revisions in the nominal GDP estimates. Over the past year, eight countries published very large GDP revisions, with GDP increasing by 20 percent or more. Large revisions impact macroeconomic analysis and forecasts, including key indicators, and carefully calibrated debt sustainability analyses based on debt-to-GDP ratios are sometimes called into question.

GDP rebasing is an important exercise to update the economic structure in macroeconomic statistics. Rebasing is generally done in conjunction with a comprehensive review and update of data sources, methods, and classifications used to compile national accounts. The IMF Statistics Department advises member countries to rebase their GDP every five years in line with international standards, or more often when there are important new economic developments. This moderates large and unexpected shifts in nominal GDP. Frequent rebasing ensures that the GDP estimates remain relevant for evidence-based policymaking and surveillance. However, this must be supported by clear and timely communication from national statistics offices to ensure that users maintain confidence in the data.

Finally, under the Financial Sector Stability Fund, the IMF focuses targeted technical assistance on financial sector statistics to help detect economic risks and vulnerabilities affecting low- and lower-middle-income countries' financial sectors. This includes capacity development on financial soundness indicators with the aim of quasi-universal coverage by 2022 in reporting, including to support global monitoring of the Sustainable Development Goals. It also encompasses capacity development to allow countries to undertake balance sheet analysis to detect interconnection and spillovers from one economic sector to another, or with the rest of the world, thereby also informing risk analysis and mitigating policy measures.

HIGHLIGHTS: LEGAL

Capacity development work continued on topics related to financial integrity—anti-money laundering and combating the financing of terrorism (AML/CFT), anti-corruption efforts, and correspondent banking relationships. The multidonor AML/CFT Thematic Fund finances technical assistance projects in 22 countries, in addition to advancing research projects on terrorism financing and beneficial ownership/entity transparency. An additional 16 countries are assisted under other multilateral, self-financed, or bilateral funds. The IMF continues to regularly coordinate its technical assistance activities to maximize results and prevent duplication of efforts. In Botswana, IMF teams worked alongside US and UK Treasury staff in delivering advice on financial intelligence and AML/CFT banking supervision. The IMF recently assessed China under the Financial Action Task Force international standards and has begun to assess South Africa. Comprehensive anti-corruption assessments on legal issues have been undertaken with a view to commencing targeted capacity development work in 2020.

Technical assistance in the area of financial and fiscal law continued at previous levels, including for central banking, financial sector legal frameworks, and bank resolution and crisis management. Assistance on legal frameworks for public financial management (including fiscal rules legislation) and financial market reforms (public debt securities, securities holding, tax) grew in line with a developed agenda. Each of these areas was at the core of various seminars (Washington, DC, Kuwait, Mauritius, Singapore), while a seminar held in South Africa in March 2019 also addressed legal issues related to fintech and emerging technologies.



There also continued to be strong demand for technical assistance on tax law in the main areas of income taxation, value-added taxes, and tax procedures, reflecting heightened global attention to international tax issues, supported by the publication of an IMF Policy Paper, “Corporate Taxation in the Global Economy.” These issues were also featured in key legal contributions made to G20-mandated toolkits and other outputs designed to support capacity development in low-income countries.

The IMF has also continued to make technical assistance available to all its members, such as Madagascar and Myanmar, on their exchange systems to assist members in drafting their foreign exchange laws and related regulations with the objective of helping members to ensure compliance with their obligations under the IMF’s Articles of Agreement.

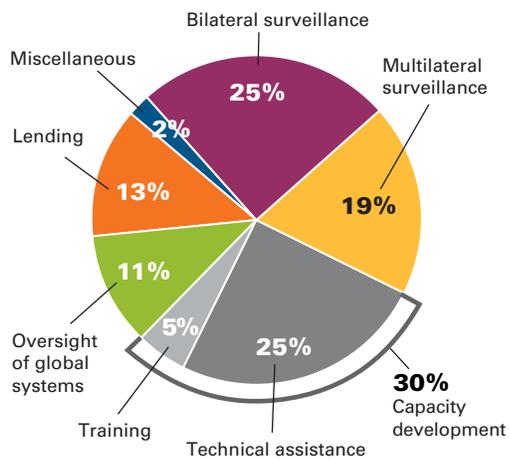
The IMF provided technical assistance to its members on insolvency and creditor rights to help ensure early and rapid rehabilitation of viable businesses and liquidation of nonviable businesses, provide a fresh start for overindebted households, and generally improve the protection of creditor rights. The IMF also provided assistance on specialized topics such as the regulation of insolvency administrators and the development of insolvency data collection systems. The IMF organized workshops on insolvency for public officials at the Joint Vienna Institute and at the Singapore Training Institute. In addition, the IMF co-organized with the Insolvency and Bankruptcy Board of India and the Indian Ministry of Corporate Affairs an insolvency workshop for public officials.

In terms of training, the IMF continued to teach courses for high-level officials, including Legal Aspects of International Financial Institutions at the Joint Vienna Institute and the Singapore Training Institute.



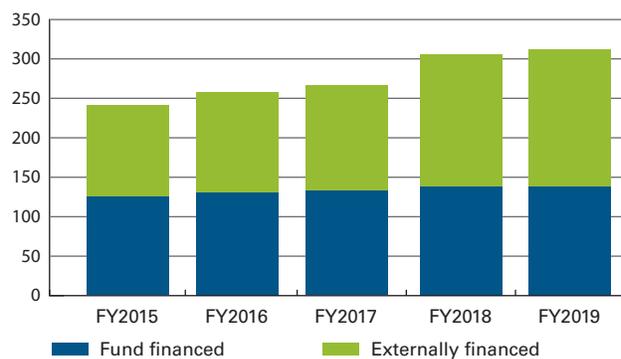


Figure 2.4
Share of spending of major IMF activities, FY2019



Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

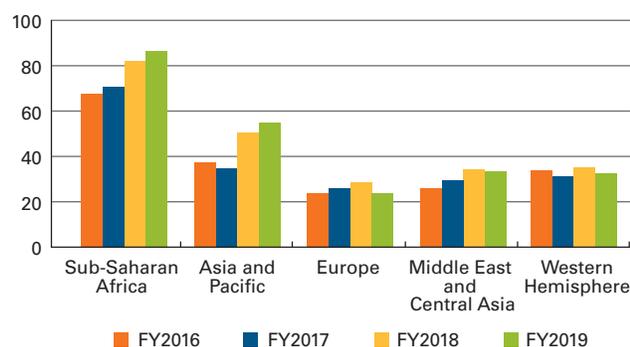
Figure 2.5
Spending on capacity development, FY2015–19
(Millions of US dollars)



Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

Figure 2.6
Capacity development spending, by region, FY2016–19

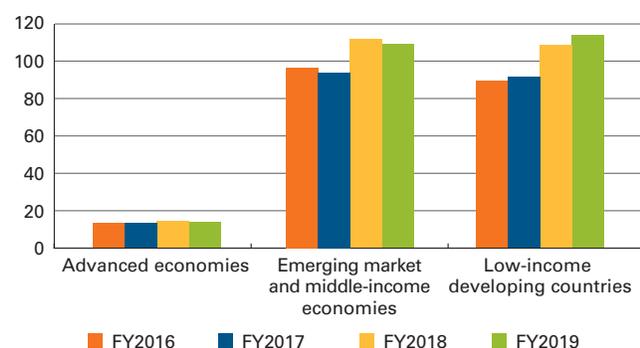
(Millions of US dollars)



Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

Figure 2.7
Capacity development spending, by income group, FY2016–19¹

(Millions of US dollars)

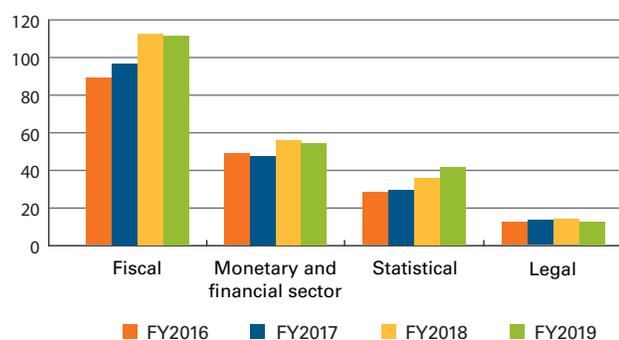


Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

¹ Advanced economies are classified according to the April 2019 *World Economic Outlook*. Advanced economies include small islands and territories. Low-income developing countries are those designated eligible for the Poverty Reduction and Growth Trust (PRGT) and whose per capita gross national income was less than the PRGT income graduation threshold for “non-small” states. Zimbabwe is included in the group, but it excludes some wealthier PRGT-eligible countries. Emerging market and middle-income economies include those not classified as advanced economies or low-income developing countries.

Figure 2.8
Capacity development spending, by topic, FY2016–19

(Millions of US dollars)



Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

IMF CAPACITY DEVELOPMENT IN NUMBERS

Initiated by member countries, IMF capacity development support, which includes both institutional and policy development and staff development, has reached all 189 members. Capacity development represented almost a third of the IMF’s administrative spending in FY2019. Most of this spending was on technical assistance, which represents 25 percent, while training accounts for 5 percent (Figure 2.4).

Aggregate spending levels for IMF capacity development activities in FY2019 are broadly in line with FY2018 levels. Total direct spending on capacity development activities (excluding general support and governance overhead) stabilized around \$306 million in FY2019, compared with \$303 million in FY2018 (Figure 2.5). The externally funded component amounted to 55 percent of the total in FY2019.

Capacity Development

Sub-Saharan Africa received the largest share of capacity development spending, reflecting the high number of low-income developing countries in this region. Overall capacity development spending remained effectively flat but grew in sub-Saharan Africa (5 percent) and Asia and the Pacific (14 percent), reflecting the ramp-up of two regional capacity development centers (SARTAC and CICDC); it decreased in Europe (14 percent) and the Western Hemisphere (8 percent) (Figure 2.6). Most IMF capacity development assistance continues to go to emerging market and middle-income economies (46 percent) and low-income developing countries (48 percent) (Figure 2.7).

The composition of the delivery of capacity development assistance by category (fiscal, monetary and financial sector, statistical, legal) remained broadly unchanged, but the growth across categories was mixed. Spending in the area of statistics increased (14 percent) in FY2019, while spending focused on legal and monetary and financial sector matters declined by 13 and 3 percent, respectively (Figure 2.8). Fiscal capacity development assistance constitutes 37 percent of total IMF assistance.

Training

Training is a type of ongoing essential capacity building through which the IMF supports member countries' efforts to boost the human capital necessary to develop and implement sound macroeconomic policies. IMF training is offered in key areas of interest for our member country officials, ranging from macroeconomic analysis to fiscal, monetary, and financial sector policies, as well as macroeconomic statistics and legal issues. It also covers cross-cutting issues like inclusive growth and emerging topics like gender budgeting and fintech. The global reach of IMF training through a network of regional training centers and programs ensures effective integration of region-specific issues into training content.

During FY2019, the IMF delivered 457 training events in which 16,950 officials from 188 member countries participated. Emerging market and middle-income economies received half of the total share of IMF training (Figure 2.9). Regionally, the sub-Saharan African share was the largest at 30 percent, followed by the Asia and Pacific region (25 percent) (Figure 2.10). Participation of officials from fragile states remains strong (3,739 officials in FY2019), accounting for 22 percent of total volume; online learning is the major training delivery vehicle.

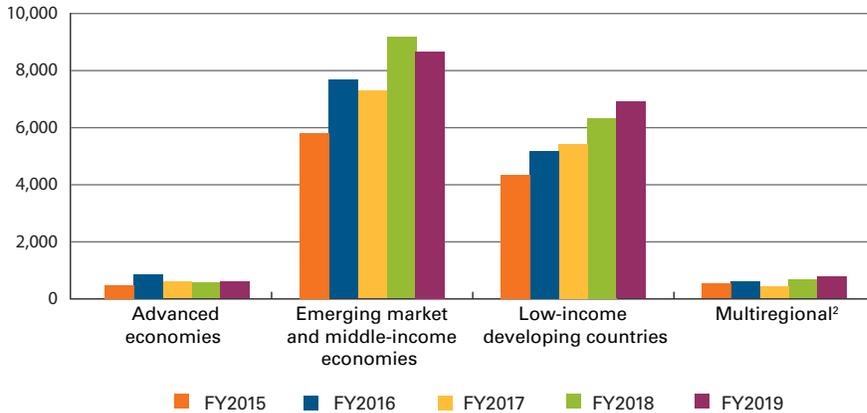
Online learning has proved efficient in achieving its dual goals of sharing knowledge with the broader public and scaling up the volume of training to government officials. Since the program's launch in 2013, more than 18,960 government officials and over 13,400 members of the public from 191 countries have successfully completed an online course. Over 20 offerings of courses in five languages have been delivered in FY2019, with an increasing number of self-paced courses open for up to a year at a time. The curriculum has been expanded to include a new course on Banking Supervision and Regulation, developed in collaboration with the Bank for International Settlements, and new translations of the online Energy Subsidy Reform and Macroeconomic Management in Resource-Rich Countries courses. Massive online open courses (MOOCs) attract participants from all walks of life and are an effective form of IMF outreach and knowledge sharing.

The modalities of training have diversified and, in some cases, combined with technical assistance to deliver more country-focused capacity development and increase its impact. For example, customized training, which is anchored in the IMF's external training curriculum, provides country-specific training to teams of officials in their institutional context in support of forward-looking policymaking. In FY2019, as part of a model-based forecasting and policy analysis system customized training project for the Reserve Bank of Malawi, IMF training teams interacted closely with the IMF Malawi country team and the Resident Representative office to ensure good coordination of the program work and capacity development. A structural benchmark to develop a monetary policy communication strategy is included in the new Malawi Extended Credit Facility arrangement, and the Malawi authorities met this structural benchmark ahead of the target date. In Armenia and Georgia, finance ministry staff, in collaboration with IMF training teams, developed models for policy scenario analysis tools to weigh in on policy discussions and decisions. It is expected that such tools and associated analysis will be incorporated more systematically into their budget planning process.

A high-level peer-to-peer workshop of Caucasus and Central Asian central bank practitioners is now held every year at the Joint Vienna Institute. It is organized jointly by the IMF's Middle East and Central Asia Department, the Swiss National Bank, and the Joint Vienna Institute. Participants at the most recent workshop discussed ways to strengthen monetary policy transmission mechanisms, improve their modeling and communication strategies, and refine central bank governance. Professor John Taylor from Stanford University was a special guest at the event.

The IMF continues to experiment with new technologies to support more flexible delivery and facilitate greater peer-to-peer learning. In FY2019, the *Interactive Guide on Debt Sustainability Framework for Low-Income Countries* accompanied the rollout of the general policy document and the associated analytical tool. The guide features a short video, interactive charts and tables, and other design elements that help users understand and apply the new IMF–World Bank low-income country debt sustainability framework template.

Figure 2.9
Total training participation, by income group¹, FY2015–19
 (Number of participants)

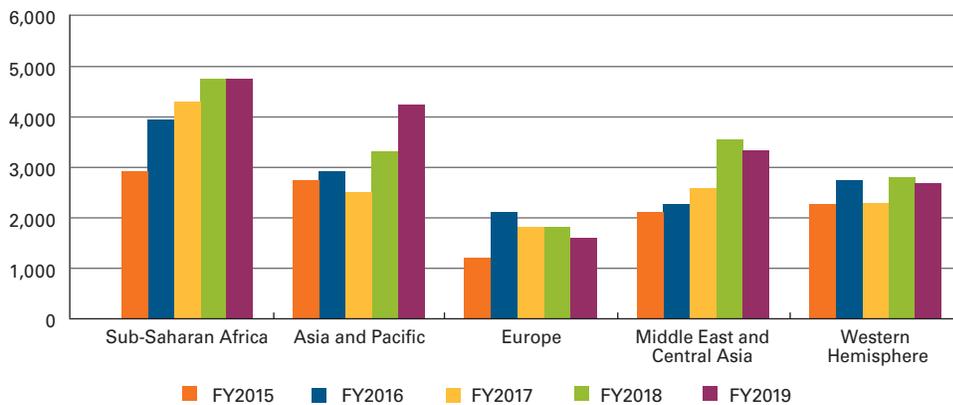


Source: Participants and Applicant Tracking System (PATS) and IMF staff calculations.
 Note: Most of IMF’s training falls under the IMF ICD Training Program, which includes training coordinated by ICD, and delivered by ICD and other departments in headquarters and globally at the IMF’s Regional Training Centers and Programs to country officials. Training also includes IMF online courses successfully completed by country officials. It is also provided by functional departments outside of the ICD Training Program.

¹ Advanced economies are classified according to the April 2019 *World Economic Outlook*. Advanced economies include small islands and territories. Low-income developing countries are those designated eligible for the Poverty Reduction and Growth Trust (PRGT) and whose per capita gross national income was less than the PRGT income graduation threshold for “non-small” states. Zimbabwe is included in the group, but it excludes some wealthier PRGT-eligible countries. Emerging market and middle-income economies include those not classified as advanced economies or low-income developing countries.

² Includes regional training delivered to participants from regional institutions.

Figure 2.10
Total training participation, by participant region of origin, FY2015–19
 (Number of participants)



Source: Participants and Applicant Tracking System (PATS) and IMF staff calculations.
 Note: Most of IMF’s training falls under the IMF ICD Training Program, which includes training coordinated by ICD, and delivered by ICD and other departments in headquarters and globally at the IMF’s Regional Training Centers and Programs to country officials. Training also includes IMF online courses successfully completed by country officials. It is also provided by functional departments outside of the ICD Training Program.

What We Do

PARTNERSHIPS FOR CAPACITY DEVELOPMENT

Support from partners helps the IMF deliver high-quality capacity development that responds to member country needs and aligns with IMF and global development priorities. Partnerships support IMF capacity development in many ways. Financial contributions from partners bolster its delivery. In addition, partners contribute to the peer learning and dissemination of best practice on thematic and regional issues by sharing their own experiences and knowledge. They also share the IMF's focus on ensuring that capacity development is results-oriented.

Partner support is channeled through the IMF's multilateral regional capacity development centers and thematic funds, as well as through bilateral projects. These initiatives enable partners to leverage resources and amplify results globally. The regional centers comprise a global network of centers that coordinate much of the IMF's capacity development work on the ground. Their activities are complemented by the thematic funds, which are centered on the IMF's core areas of expertise.

In FY2019, new partner contributions to IMF capacity development of \$221 million were received, and activities financed by partners totaled about \$178 million, covering roughly half of total capacity development activities. Over the past three years, the top five contributors to IMF capacity development were the European Union, Japan, Switzerland, China, and Kuwait. All support for capacity development efforts is greatly appreciated and has helped deliver significant results in member countries. Key highlights include the following:

- With more than 25 years of consistent support, Japan is the IMF's longest-standing partner for capacity development. In FY2019, support was given to a wide range of areas, with particular focus on Asia that included contributions to the IMF Capacity Development Office in Thailand and to the IMF Singapore Training Institute. Japan also joined other partners of the Data for Decisions Fund, expanding its support to the IMF's thematic funds.

- The European Union is the IMF's largest partner for capacity development, and the only one that supports all IMF regional technical assistance centers and most thematic funds. In 2019, the European Union contributed to the Revenue Mobilization Thematic Fund, the Data for Decisions Fund, and regional technical assistance centers in central and west Africa. A public financial management program focusing on countries in fragile situations and low- and lower-middle-income countries was launched in October 2018 with support from the Directorate-General for International Cooperation and Development. In December 2018, the second phase of the public financial management and domestic revenue mobilization program in southeastern Europe, as well as a new fiscal governance program in EU Eastern Partnership Countries, were signed with the Directorate-General for Neighbourhood and Enlargement Negotiations. A project on statistics was signed with Eurostat in December 2018. In June 2018, the IMF participated in the European Union's flagship development event, the European Development Days, and showcased the IMF's work on gender.

Box 2.2 A regional technical assistance center for the Caucasus, Central Asia, and Mongolia

The IMF has announced its intent to partner with countries and external counterparts on a new regional capacity development center covering the Caucasus, Central Asia, and Mongolia (CCAM). The diverse CCAM region, which comprises low-income, transition, emerging market, and resource-rich economies, has made good progress in building economic institutions and policy frameworks, yet countries continue to face challenges, especially vulnerability to external shocks such as commodity prices and geopolitics. A CCAM center would allow the IMF to respond quickly and flexibly to emerging needs, coordinate closely with member countries and development partners, and facilitate peer exchange across the region. This center would work directly with Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan.

- The United Kingdom is a long-standing supporter of IMF capacity development, particularly in AML/CFT, the financial sector, tax administration diagnostics, and the regional centers in sub-Saharan Africa, the Caribbean, and south Asia. It also finances two large bilateral projects on statistics and research. In December 2018, its development agency, the Department for International Development, agreed to increase its financing to regional capacity development centers in sub-Saharan Africa and contribute to the Revenue Mobilization Thematic Fund. The new agreement also provides for capacity development targeted toward fragile states.
- Korea, a strong partner in IMF capacity development, has supported a range of important initiatives in Asia and the Pacific and beyond, including work on revenue mobilization, anti-money laundering, statistics initiatives, and the IMF Africa training institute. During the 2018 Annual Meetings, Korea renewed its support and committed to an additional three years of support to IMF capacity development.

GLOBAL THEMATIC FUNDS FOR CAPACITY DEVELOPMENT

The IMF's global thematic capacity development funds, supported by external partners, ensure that less-developed economies have the tools to achieve the Sustainable Development Goals. These funds help countries increase revenue mobilization, improve fiscal and natural resource management, promote financial sector stability and access, address debt issues, and strengthen economic decision-making through better statistics. There are also two funds—working with South Sudan and Somalia—dedicated to countries in fragile situations.

Highlights of thematic funds include the following:

- In June 2018, the Data for Decisions Fund was launched. It aims to help low- and lower-middle-income countries improve the availability, quality, coverage, timeliness, and dissemination of macroeconomic statistics—all of which enable better policymaking. A major outcome will be that countries will have the infrastructure necessary to compile and report on many Sustainable Development Goal indicators. The Financial Access Survey is also a key component of the Data for Decisions Fund.
- In December 2018, the steering committee of the Revenue Mobilization Thematic Fund endorsed an increase in the size and duration of the fund. The phase will now run for six years with a budget of \$77 million (relative to the original plan of five years and \$60 million). This will bolster delivery of capacity development in revenue mobilization, an important development priority.
- Phase III of the Debt Management Facility was launched during the 2019 Spring Meetings. The Debt Management Facility is a joint IMF–World Bank thematic fund focused on sovereign debt management and aimed primarily at low-income countries. It is the only multidonor fund dedicated to providing comprehensive debt management capacity development.

REGIONAL CAPACITY DEVELOPMENT CENTERS

The IMF's 16 regional capacity development centers are the backbone of the IMF's capacity development infrastructure. Tailored to each region's priorities, the centers allow the IMF to respond quickly to a country's emerging capacity development needs and coordinate closely with other stakeholders on the ground. The regional centers house resident advisors, foster peer learning, and provide hands-on implementation support with consistent follow-up. Development partners, center hosts, and member countries provide more than three-quarters of the resources needed to operate these centers. In spring 2019, the IMF announced plans to establish a new regional technical assistance center, serving countries in the Caucasus, Central Asia, and Mongolia (see Box 2.2).

Highlights of the regional capacity development centers include the following:

- Partners and members of CARTAC—the regional center in the Caribbean—have pledged more funding for the center. CARTAC will also deepen its focus on climate change and resilience building, as agreed at the May 2018 steering committee meeting.



Box 2.3 Celebrating 25 years of the Pacific Financial Technical Assistance Center

In December 2018, an anniversary event celebrated 25 years of the IMF's first technical assistance center, the Pacific Financial Technical Assistance Center (PFTAC). Fiji's Acting Prime Minister, Aiyaz Sayed-Khaiyum, and IMF Deputy Managing Director Carla Grasso opened the two-day conference, which also included Helen Clark, former Prime Minister of New Zealand and Head of the United Nations Development Programme. More than 200 policymakers, thought leaders, and representatives from the private sector, academia, and media discussed how PFTAC's 16 member countries can continue to make the most of growth opportunities, build resilience to natural disasters, and achieve inclusive growth, and how hands-on technical assistance and peer-learning activities can boost capacity. A youth photo contest highlighted the region's development journey and raised awareness of PFTAC's work. PFTAC is supported by Australia, New Zealand, the European Union, Korea, and the Asian Development Bank; the host country Fiji; and its member countries. For more, watch a video at: <https://www.imf.org/external/mmedia/view.aspx?vid=598222772001>.

- PFTAC—the regional center for the Pacific Islands—celebrated its 25th anniversary in December 2018 (see Box 2.3). Partners and members also agreed to scale up substantially the current phase budget to nearly \$40 million to meet new demands on inclusive growth and resilience to climate change.

- To meet the significant demand for training in Africa, the IMF management endorsed a gradual scaling up of activities in Phase II of the Africa Training Institute (ATI). The new phase runs from May 2019 through April 2024 with an increased budget of \$35 million for the phase (the budget for Phase I was \$23 million). This will help deliver more training in core and emerging issues (including governance, gender, and climate change); more support to fragile states; and more customized training and peer learning. The customized training will continue to support projects prioritized by the technical assistance centers in Africa.

LAUNCHING OF ARABIC ONLINE COURSE ON ENERGY SUBSIDY REFORM

The IMF Middle East Center for Economics and Finance, in collaboration with the IMF departments, developed and delivered an online course on energy subsidy reform in Arabic. The course has been adapted to the Arab region and includes a special module that appraises the key challenges and lessons from Morocco's experience. The course was well received, with 180 public sector officials from Arab countries completing it on its first offering in January/February 2019.

Box 2.4**High-level peer-to-peer forum: Monetary policy in Association of Southeast Asian Nations Countries**

During July 9–10, 2018, the IMF and the Monetary Authority of Singapore co-organized a high-level peer-to-peer forum on modernizing monetary policy frameworks and operations in Association of Southeast Asian Nations (ASEAN) countries. A key objective of the forum was to integrate IMF capacity development with country surveillance conversations on the challenges of implementing monetary policy in the face of large and volatile capital flows, uncertainty stemming from escalating trade tensions, risks to financial stability, rising global interest rates, and how and when to intervene in foreign exchange markets.

The forum featured highly interactive sessions among ASEAN Deputy Governors, Assistant Governors, and other senior central bank officials, with IMF staff delivering short motivational presentations and international experts discussing best practice and lessons learned. The program was designed to maximize dialogue around four intersecting areas of monetary policy: framework design, instruments and operations, modeling and forecasting tools, and communications. Professor John Taylor participated in the proceedings and delivered a stimulating keynote speech, calling for a multilateral approach to the design of transparent rules-based monetary policies and strategies.

HIGH-LEVEL SYMPOSIUMS ON GLOBAL LESSONS FOR INCLUSIVE GROWTH AND GOVERNANCE

The IMF Middle East Center for Economics and Finance led a series of high-level symposiums in Kuwait, jointly with the Arab Fund for Economic and Social Development and in collaboration with IMF departments. The series aims to enrich the debate on economic policy issues of special relevance to the Arab world's challenges, with panelists from diverse backgrounds, including IMF senior staff and policymakers with a variety of reform experiences. The first symposium, held in

Table 2.5

IMF thematic and country funds for capacity development

Name	Partners
Revenue Mobilization (RM)	Australia, Belgium, Denmark, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland, United Kingdom, European Union
Tax Administration Diagnostic Assessment Tool (TADAT)	Germany, Japan, Netherlands, Norway, Switzerland, United Kingdom, European Union
Managing Natural Resource Wealth (MNRW)	Australia, Netherlands, Norway, Switzerland, United Kingdom, European Union
Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)	France, Japan, Luxembourg, Netherlands, Norway, Qatar, Saudi Arabia, Switzerland, United Kingdom
Financial Sector Stability Fund (FSSF)	China, Germany, Italy, Luxembourg, Saudi Arabia, Sweden, Switzerland, United Kingdom, European Investment Bank
Debt Management Facility II (DMF II) <i>jointly with the World Bank</i>	Austria, Germany, Netherlands, Norway, Russia, Switzerland, African Development Bank, European Union
Financial Sector Reform Strengthening Initiative (FIRST) <i>jointly with the World Bank</i>	Phase III: Germany, Luxembourg, Netherlands, Switzerland, United Kingdom Phase IV: Germany, Switzerland
Data for Decisions (D4D)	China, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Switzerland, European Union
Somalia Country Fund	Canada, Italy, United Kingdom, United States, Arab Fund for Economic and Social Development, European Union
South Sudan Country Fund	Norway

Source: IMF staff compilation.

November 2018, focused on world economic developments' implications for the region, with former IMF Research Department Director Maurice Obstfeld as the keynote speaker. The second was held in February 2019, distilling lessons from global experiences on ways to strengthen good governance and transparency, with IMF Statistics Department Director Louis Marc Ducharme. The two events complemented the theme of the panel discussion held in February 2018 with IMF Middle East and Central Asia Department Director Jihad Azour on "Inclusive Development in the Arab World: A Call for Action."

Table 2.6
IMF regional capacity development centers

Name	Partners	Member countries
Africa Training Institute (ATI)	Australia, China, Germany, Korea, Mauritius (host), European Investment Bank	45 countries in sub-Saharan Africa
AFRITAC Central (AFC)	China, France, Gabon (host), Germany, Netherlands, European Investment Bank, European Union	Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, São Tomé and Príncipe
AFRITAC East (AFE)	Germany, Netherlands, Switzerland, Tanzania (host), United Kingdom, European Investment Bank, European Union	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda
AFRITAC South (AFS)	Australia, China, Germany, Mauritius (host), Netherlands, Switzerland, United Kingdom, European Investment Bank, European Union	Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Zimbabwe
AFRITAC West (AFW)	China, Côte d'Ivoire (host), France, Germany, Luxembourg, European Investment Bank, European Union	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Togo
AFRITAC West 2 (AFW2)	Australia, Canada, China, Ghana (host), Switzerland, African Development Bank, European Investment Bank, European Union	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
Capacity Development Office in Thailand (CDOT)	Japan, Thailand (host)	Cambodia, Lao P.D.R., Myanmar, Vietnam (core beneficiary countries), plus other countries in the Southeast Asia and Pacific Island regions under selected projects
Caribbean RTAC (CARTAC)	Barbados (host), Canada, Mexico, Netherlands, United Kingdom, Caribbean Development Bank, Eastern Caribbean Central Bank, European Union	Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos
Central America, Panama, and Dominican Republic RTAC (CAPTAC-DR)	Canada, Guatemala (host), Luxembourg, Mexico, Norway, Spain, Central American Bank for Economic Integration, European Union	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
China-IMF Capacity Development Center	China (host)	China and other member countries
Joint Vienna Institute (JVI)	Austria (primary member and host) and international partners/donors	31 countries, including 29 in Central, Eastern, and Southeastern Europe, the Caucasus, and Central Asia, as well as Iran and Turkey
Middle East Center for Economics and Finance (CEF)	Kuwait (host)	22 Arab League member countries
Middle East RTAC (METAC)	France, Germany, Lebanon (host), Switzerland, Netherlands, European Union	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen
Pacific Financial RTAC (PFTAC)	Australia, Fiji (host), Korea, New Zealand, Asian Development Bank, European Union	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu
Singapore Training Institute (STI)	Australia, Japan, Singapore (host)	37 countries in the Asia-Pacific region
South Asia Regional Training and Technical Assistance Center (SARTTAC)	Australia, India (host), Korea, United Kingdom, European Union	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka

The IMF also delivers courses through regional training programs.

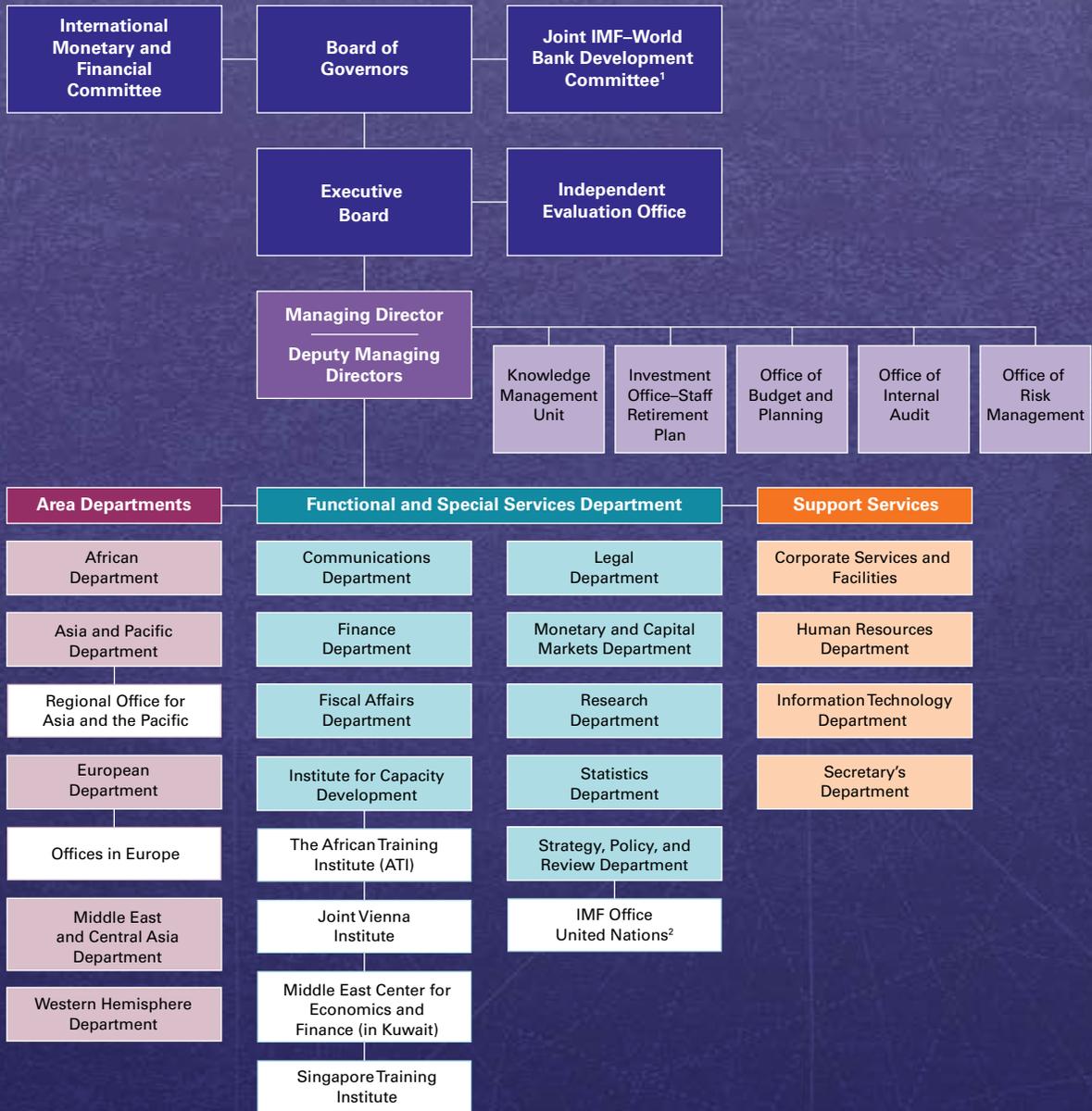
Source: IMF staff compilation.

PART 3:

Who We Are

IMF Organization Chart

as of April 30, 2019



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.

² Attached to the Office of the Managing Director.



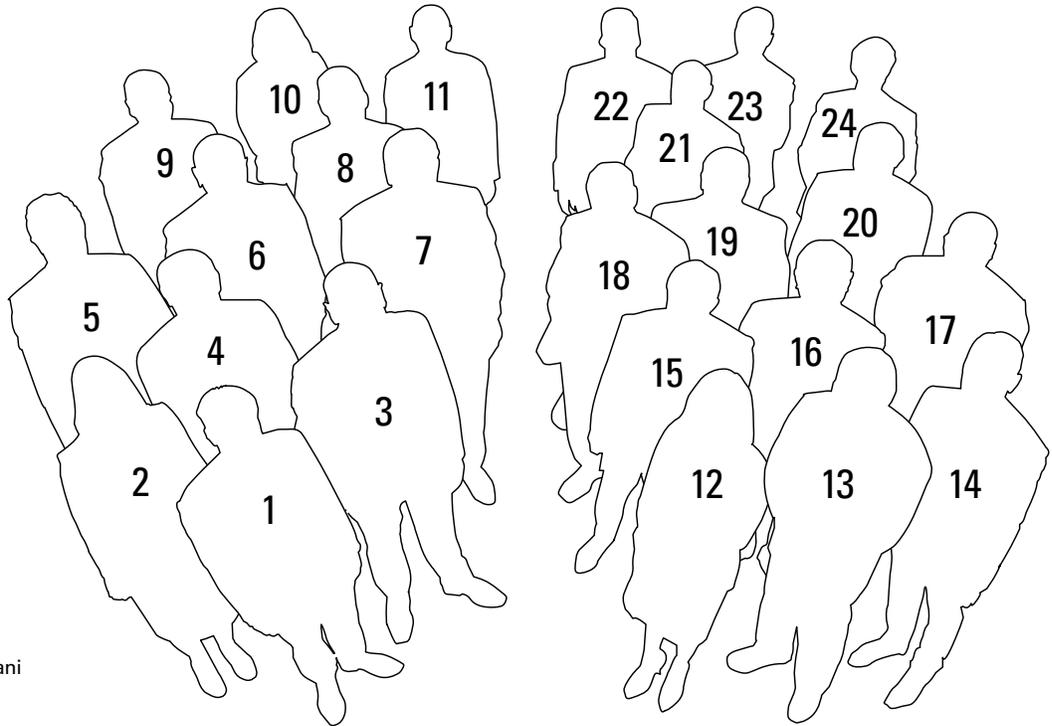
IMF Executive Directors

as of May 2019



WHO WE ARE

1. Hervé de Villeroché
2. Shona Riach
3. Thomas Östros
4. Jafar Mojarad
5. Gabriel Lopetegui
6. Raci Kaya
7. Aleksei Mozhin
8. Leonardo Villar
9. Masaaki Kaizuka
10. Louise Levonian
11. Mark Rosen
12. Alisara Mahasandana
13. Subir Gokarn
14. Maher Mouminah
15. Domenico Fanizza
16. Jin Zhongxia
17. Dumisani H. Mahlinza
18. Hazem Beblawi
19. Alexandre Tombini
20. Nigel Ray
21. Anthony De Lannoy
22. Mohamed-Lemine Raghani
23. Paul Inderbinen
24. Steffen Meyer



2018 Regular Election of Executive Directors

Newly elected IMF Executive Directors began their two-year terms in November 2018, following an election for the 24 elective seats. As a result, 11 new Executive Directors and 8 new Alternate Executive Directors joined the Board and will serve a two-year term until October 31, 2020.

To guide the election process, the Board established a committee whose task was to develop the formal rules for conducting the election. The rules define the number of

Executive Directors to be elected (24, as has been the case since 1992) and specify the maximum level of voting shares that multicountry groups may hold, so that voting power is distributed across the Board in a reasonable balance. The rules also outline the timeline and process of the election. These rules, submitted by the Executive Board, were approved by the Board of Governors in August 2018.

The next regular election of Executive Directors will be conducted in October 2020.



In Memoriam

Executive Director Subir Gokarn, an Indian national, died in July 2019 after a short illness. Mr. Gokarn represented Bangladesh, Bhutan, India, and Sri Lanka on

the Board since December 2015. The Executive Board and the management and staff of the IMF admired his keen intellect, thoughtfulness, and eloquence and expressed a deep appreciation for his many contributions during his tenure at the Fund.

Executive Directors and Alternates (as of April 30, 2019)

Adam Lerrick <i>Vacant</i>	United States
Masaaki Kaizuka <i>Yoshihito Saito</i>	Japan
Jin Zhongxia <i>Sun Ping</i>	China
Anthony De Lannoy <i>Richard Doornbosch</i> <i>Vladyslav Rashkovan</i>	Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, North Macedonia, Romania, Ukraine

Steffen Meyer <i>Klaus Gebhard Merk</i>	Germany	Subir Gokarn <i>Mahinda K. M. Siriwardana</i>	Bangladesh, Bhutan, India, Sri Lanka
Leonardo Villar <i>Pablo Moreno</i> <i>Alfonso Guerra</i>	Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Spain, República Bolivariana de Venezuela	Dumisani H. Mahlinza <i>Ita Mannathoko</i> <i>Kingsley I. Obiora</i>	Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, Republic of South Sudan, Sudan, Tanzania, Uganda, Zambia, Zimbabwe
Juda Agung <i>Keng Heng</i>	Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, The Philippines, Singapore, Thailand, Tonga, Vietnam	Paul Inderbinen <i>Piotr Trabinski</i>	Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, Uzbekistan
Domenico Fanizza <i>Michalis Psalidopoulos</i>	Albania, Greece, Italy, Malta, Portugal, San Marino	Aleksei Mozhin <i>Lev Palei</i>	Russian Federation, Syrian Arab Republic
Hervé de Villeroché <i>Armel Castetsi</i>	France	Jafar Mojarrad <i>Mohammed Dairi</i>	Islamic Republic of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, Tunisia
Shona Riach <i>David Paul Ronicle</i>	United Kingdom	Hazem Beblawi <i>Sami Geadah</i>	Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, Republic of Yemen
Nigel Ray <i>Nam-duk Heo</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, Vanuatu	Maher Mouminah <i>Ryadh M. Alkhareif</i>	Saudi Arabia
Louise Levonian <i>Anne Marie 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	Mohamed-Lemine Raghani <i>Herimandimby A.</i> <i>Razafindramanana</i> <i>Facinet Sylla</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
Thomas Östros <i>Jon Sigurgeirsson</i>	Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Sweden	Gabriel Lopetegui <i>Juan Carlos Di Tata</i>	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
Raci Kaya <i>Christian Just</i> <i>Szilard Benk</i>	Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, Turkey		
Alexandre Tombini <i>Bruno Saraiva</i> <i>Pedro Fachada</i>	Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, Trinidad and Tobago		

Management Team



◀ Managing Director Christine Lagarde with students at the Gadjah Mada University in Yogyakarta, Indonesia.

▶ First Deputy Managing Director David Lipton delivers opening remarks at the IMF Fiscal Forum.



◀ Deputy Managing Director Mitsuhiro Furusawa and IMF Executive Director Jafar Mojarrad at the 2018 IMF–World Bank Annual Meetings in Bali, Indonesia.

▶ Deputy Managing Director Tao Zhang visits the Centre for Children and Adolescent Development in Dominica.



◀ Deputy Managing Director Carla Grasso with Christiaan Rebergen, of Netherlands' Ministry of Foreign Affairs, marking Netherlands' contribution to the IMF fund on Managing Natural Resource Wealth.



Tao Zhang
Deputy Managing Director

Christine Lagarde
Managing Director

David Lipton
First Deputy Managing Director

Mitsuhiro Furusawa
Deputy Managing Director

Carla Grasso
Deputy Managing Director and
Chief Administrative Officer

SENIOR OFFICERS (as of April 30, 2019)

AREA DEPARTMENT

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
Alejandro Werner	Director, Western Hemisphere Department

FUNCTIONAL DEPARTMENT

Gerard Rice	Director, Communications Department
Andrew Tweedie	Director, Finance Department
Vitor Gaspar	Director, Fiscal Affairs Department
Sharmini Coorey	Director, Institute for Capacity Development
Rhoda Weeks-Brown	General Counsel and Director, Legal Department
Tobias Adrian	Financial Counsellor and Director, Monetary and Capital Markets Department
Gita Gopinath	Economic Counsellor and Director, Research Department
Louis Marc Ducharme	Chief Statistician and Data Officer and Director, Statistics Department
Martin Mühleisen	Director, Strategy, Policy, and Review Department

INFORMATION AND LIAISON

Chikahisa Sumi	Director, Regional Office for Asia and the Pacific
Christopher Lane	Special Representative to the United Nations
Jeffrey Franks	Director, Offices in Europe/Senior Resident Representative to the European Union

SUPPORT SERVICES

Chris Hemus	Director, Corporate Services and Facilities Department
Kalpana Kochhar	Director, Human Resources Department
Edward Anderson	Chief Information Officer and Director, Information Technology Department
Jianhai Lin	Secretary of the Fund, Secretary's Department

OFFICES

Daniel Citrin	Director, Office of Budget and Planning
Charles Collyns	Director, Independent Evaluation Office
Nancy Asiko Onyango	Director, Office of Internal Audit
Derek Bills	Head, Investment Office
Vivek Arora	Head, Office of Risk Management

Box 3.1. Profiles of outgoing and incoming senior staff



EDWARD ANDERSON joined the IMF in June 2018 as Chief Information Officer (CIO) and Director of the Information Technology Department. Anderson is an experienced IT leader who most recently served as Global

CIO at World Vision International. Previously, he was a presidential appointee to the US Peace Corps, where he oversaw a total transformation in IT service delivery across 74 countries. He has also led multiple privately held consulting organizations in the IT and business solutions arena.



PETRA DE BRUXELLES joined the IMF in October 2018 as the Diversity and Inclusion Advisor. She brings extensive experience in leading diversity and inclusion, employer branding and outreach, and other human

resource initiatives in a number of multilateral development institutions. She holds degrees from Pennsylvania State University and the University of Surrey.



GITA GOPINATH joined the IMF in January 2019 as Economic Counsellor and Director of the IMF's Research Department. She is on leave of public service from Harvard University's Economics Department,

where she is the John Zwaanstra Professor of International Studies and of Economics. She has authored numerous research articles on exchange rates, trade and investment, international financial crises, monetary policy, debt, and emerging market crises. She holds a PhD in Economics from Princeton University.



SEAN HAGAN retired from the IMF in September 2018 after serving as General Counsel and Director of the Legal Department and in a variety of other roles in the IMF's Legal Department for 14 years. As Director, his achievements included modernizing the IMF's

lending toolkit, integrating its surveillance processes, articulating its policies on sovereign debt, and devising multilateral debt relief for highly indebted low-income countries. He has published extensively on both the law of the IMF and a broad range of legal issues relating to the prevention and resolution of financial crises, with a particular emphasis on insolvency and the restructuring of debt, including sovereign debt. Hagan holds a Juris Doctor from the Georgetown University Law Center and a Master of Science in International Political Economy from the London School of Economics and Political Science.



MAURICE "MAURY" OBSTFELD retired from the IMF in December 2018 after serving as Economic Counsellor and Director of the IMF's Research Department for three years. As "Chief Economist," he led research at the IMF, made important contributions to the

World Economic Outlook, and coauthored the book *Advancing the Frontiers of Monetary Policy*. He holds a PhD in Economics from the Massachusetts Institute of Technology.



RHODA WEEKS-BROWN took over as General Counsel and Director of the IMF's Legal Department in September 2018; she joined the IMF in 1997. Previously, Weeks-Brown served as Deputy Director of the IMF's Communications Department and in a variety of capacities

across the IMF on a wide range of legal, country, and policy issues. She holds a Juris Doctor from Harvard Law School.

HUMAN RESOURCES AND PRIORITIES

To be effective in the global economy, the IMF must recruit, retain, develop, and recognize a highly qualified and diverse international staff. To support these broad objectives, three mutually reinforcing initiatives are underway to (1) implement a human resources strategy that fosters a culture of continuous learning, innovation and strong management, and leadership; (2) streamline work processes to enhance efficiency and cost-effective delivery of services and benefits; and (3) continue to be the employer of choice to attract and retain high-caliber, diverse talent.

Workforce Characteristics

As of April 30, 2019, the IMF employed 2,765 staff members. A list of the institution's senior officers can be found on pages 80 and 81, and the organization chart can be found at the beginning of part three.

Recruitment of 150 new staff members in 2018 was lower than the 2017 level of 172. It included seven managerial, 109 professional, and 34 support staff. The IMF requires economists to have advanced analytical and policymaking experience, and in 2018 it recruited 25 graduates through the Economist Program and 50 mid-career economists. Also, during 2018, 477 contractual employees were hired.

Three officials from Japan, Korea, and Sweden were hired into the Externally Financed Appointee (EFA) program in 2018. 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 nine appointees from five countries are currently participating in the EFA program. (For information on the distribution of IMF staff members 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 aims to have broad representation of its membership in terms of geographic region, gender, educational background, and other diverse characteristics among its staff. Of the IMF's 189 member countries, 147 were represented by the staff as of April 30, 2019. Nationals from underrepresented regions—sub-Saharan Africa, East Asia, and the Middle East and North Africa—accounted for 27 percent of all external hiring at the

professional level in CY2018. In 2019, the IMF reached its benchmark for the representation of staff from sub-Saharan Africa at the combined professional and management levels. The IMF also surpassed its benchmark for women economists at the managerial level and has achieved its objective of 30 percent women in management functions by the end of FY2019.

The IMF also strives to foster an inclusive work environment in which all can thrive and perform at their best. To this end, unconscious bias and anti-harassment training were made mandatory for all staff. In addition, inclusive interviewing skills were introduced for managers participating in selection processes. "As a global international organization, it is incumbent upon us to lead by example and be as demanding of ourselves as we are of our counterparts. We have made great progress in the last 25 years since we first started looking more closely at our internal diversity and inclusion, and fully subscribe to the argument that it is not just a business imperative, but it is simply the right thing to do. We will continue to set challenging goals to ensure that we become an even more diverse, inclusive, and representative workplace," Diversity and Inclusion Advisor Petra de Bruxelles 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 compensation 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, 2018, the salary structure for management was as follows:

■ Managing Director	\$516,700
■ First Deputy Managing Director	\$449,290
■ Deputy Managing Directors	\$427,910

Our Resources and Governance

BUDGET AND INCOME

Medium-Term Budget

In April 2018 the Executive Board authorized a net administrative budget for FY 2019 of \$1,135 million, along with indicative budgets for FY2020 and FY2021 (the latter two years have been updated in Table 3.1 to reflect latest Board approved FY2020 and indicative FY2021 budgets). Reflecting a prudent approach, this was the seventh year in a row that the IMF's budget remained flat, despite increased demands placed on the institution and a robust medium-term income position. The Board also approved a limit on gross expenditures

of \$1,417 million, which included \$196 million in external reimbursements for capacity development activities and up to \$46 million in carry-forward of unspent FY2018 resources for possible spending in FY2019. The approved capital budget was \$71 million for building facilities and information technology capital projects. The capital budget excluded the renovation of the HQ1 building, which is covered by an earlier, separate appropriation.

The budget for FY2019 supported intensified work in priority areas for IMF members and modernization of the organization. Additional resources were reallocated to enhance the IMF's country engagement and strengthen financial sector work,

Table 3.1
Budget by major expenditure category, FY2018-21
(In millions of US dollars)

	FY2018		FY2019		FY2020	FY2021
	Budget	Outturn	Budget	Outturn	Budget	Budget
Administrative expenditures						
Personnel	969	962	1,009	995	1,035	...
Travel ¹	126	121	135	126	129	...
Buildings and other	209	226	215	224	219	...
Contingency reserves	11	...	12	...	14	...
Total gross expenditures	1,315	1,309	1,371	1,346	1,397	1,435
Receipts ²	-211	-211	-236	-214	-239	-246
Total net budget	1,104	1,099	1,135	1,131	1,158	1,190
Carry-forward ³	44	...	46	...	47	...
Total net budget including "carry-forward"	1,148	1,099	1,181	1,131	1,205	1,190
Total gross budget including "carry-forward"	1,359	1,309	1,417	1,346	1,444	1,435
Capital⁴						
Facilities and information technology	66	116	71	141	86	96
<i>Memorandum item</i>						
Total net budget in FY19 dollars	1,129	1,124	1,135	1,131	1,129	1,129

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

³ Resources are carried forward from the previous year under established rules.

⁴ Capital budget appropriations can be spent over three years. The budget represents the annual appropriation, whereas the outturn includes spending from appropriations of previous years.

such as the Financial Sector Assessment Program. Work in key economic and financial policy areas, such as on central bank digital currencies and the Fintech Agenda, also received additional funding. Corporate modernization efforts included funding for digital transformation, knowledge management, and human resource services.

Actual administrative expenditures in FY2019 totaled \$1,131 million, \$4 million below the approved net budget. The shortfall in spending was slightly smaller than the previous year.

Capital expenditures in FY2019 totaled \$141 million. Of this, \$82 million was for the renovation of the HQ1 building, which is expected to be completed in fall 2019. The rest covered facilities and IT life cycle replacements and improvements and capital for the modernization agenda.

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 amortization of employee benefit costs based on actuarial valuations. Table 3.2 provides a detailed reconciliation between the FY2019 net administrative budget outturn of \$1,131 million and the IFRS-based administrative expenses of \$1,299 million (SDR 931 million) reported in the IMF's audited financial statements for 2019.

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

Table 3.2

Administrative expenses

(In millions of US dollars, unless otherwise indicated)

FY2019 NET ADMINISTRATIVE BUDGET OUTTURN	1,131
TIMING DIFFERENCES	
Pension and postemployment benefits costs	175
Capital expenditure—amortization of current and prior years' expenditure	54
OTHER AMOUNTS NOT INCLUDED IN THE ADMINISTRATIVE BUDGET	
Capital expenditure—items expensed immediately in accordance with International Financial Reporting Standards	31
Reimbursement to the General Department (from the Poverty Reduction and Growth Trust and Special Drawing Rights Department)	(92)
TOTAL ADMINISTRATIVE EXPENSES	1,299
MEMORANDUM ITEM	
Total administrative expenses reported in the audited financial statements (millions of SDRs)	931

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 FY2019 US dollar/SDR exchange rate for expenditures of about 1.40.

income subaccount) and again in March 2018 (primarily for 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 cross-check to ensure that the rate of charge maintains a reasonable alignment against long-term credit market conditions. In April 2018, the Executive Board set the margin for the rate of charge at 100 basis points for the period

Box 3.2. HQ1 building renovation progress

Renovation of the older of the two IMF headquarters buildings (HQ1) in Washington, DC, continued in FY2019. Considerable progress was made; although the project is now approximately 98 percent complete, the remaining milestones, such as the boardroom and executive floors, are some of the most challenging.

Three office floors were reoccupied during FY2019. The last two occupied floors are under construction, and staff members have been temporarily relocated to the IMF’s other building (HQ2). The executive boardroom is temporarily

located elsewhere in HQ1. Other items to be completed include the building systems, roof, and demobilization of the construction site.

The primary purpose of 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 FY2020, the renovated building is expected to substantially cut energy bills and will help the IMF achieve the highest sustainability standards.



through April 2020 and reaffirmed this margin at the mid-period review in April 2019.

The IMF also levies surcharges on the use of large amounts of credit in the credit tranches and under extended arrangements. Surcharges of 200 basis points are levied on the use of credit above 187.5 percent of a member’s quota. This threshold was last revised to mitigate the effect of the doubling of quotas following the entry into effect of the 14th General Review of Quotas. In addition to these so-called level-based surcharges, the IMF also levies time-based surcharges of 100 basis points on 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 at the beginning of each 12-month period on amounts available for drawing under GRA arrangements during that period. The commitment fee is 15 basis points, 30 basis points, and 60 basis points on amounts available up to 115 percent, between 115 and 575 percent, and more than 575 percent of a member’s quota, respectively.

Commitment fees are refunded when credit is used during the period covered by the fee, 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 stipulate that the rate of remuneration may not be 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 borrowing under the 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

Table 3.3

Arrears to the IMF of countries with obligations overdue by six months or more and by type, as of April 30, 2019 (Millions of SDRs)

	Total	By Type	
		General Department (including Structural Adjustment Facility)	Trust Fund
Somalia	241.5	233.1	8.4
Sudan	969.3	885.9	83.3
Total	1,210.7	1,119.0	91.7

Source: IMF Finance Department.

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 FY2019, the adjusted rates of charge and remuneration averaged 2.041 percent and 1.031 percent, respectively.

Net Income

The IMF's net income in FY2019 was SDR 0.6 billion (\$0.9 billion), reflecting primarily income from the high levels of lending activity and income from the IMF's investments held in the Investment Account, partly offset by losses stemming mainly from the remeasurement of the IMF's defined benefit

liability. The loss of SDR 0.4 billion (\$0.5 billion) is attributable mainly to the immediate recognition of the effects of changes in key actuarial assumptions for the financial year used in determining the defined benefit assets and liabilities of the IMF's postemployment employee benefit plans, in accordance with the IFRS (International Accounting Standard 19, Employee Benefits).

Arrears to the IMF

Overdue financial obligations to the IMF amounted to SDR 1,210.7 million at the end of April 2019 (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.

Box 3.3. Big 5 projects

To continue to strengthen the IMF's service to its member countries, several projects are underway internally to improve business processes and upgrade technological platforms related to the way the staff works. In FY2018, the IMF started to develop these "Big 5" projects to make the IMF a more efficient and effective institution.

1HR will modernize, simplify, and automate human resource business processes. It will provide a modern, industry-standard integrated system and agile, mobile-friendly platform to more easily adapt to changes in the future.

CAPACITY DEVELOPMENT MANAGEMENT AND ADMINISTRATION PROGRAM will support efficient capacity development management and harmonize and address gaps in processes for operations across the IMF, while updating supporting systems.

CORE KNOWLEDGE MANAGEMENT SYSTEMS will deliver modern platforms to help improve the availability and accessibility of IMF knowledge. It consists of four interrelated projects designed to deliver strong content management, more consistent and clearer tags and filters, and robust findability.

INTEGRATED DIGITAL WORKPLACE will provide the staff with a modern, personalized digital experience when conducting daily work. The project will identify common structures across IMF work streams to provide consistent and automated workflow solutions to increase efficiency and boost productivity.

iDATA will replace the IMF's current data management and dissemination system. The project will implement a modern economic data life cycle management platform, facilitating seamless access and sharing of high-quality data, aligning the IMF economic data environment with industry standards.

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.

QUOTAS: WHERE THE IMF GETS ITS MONEY

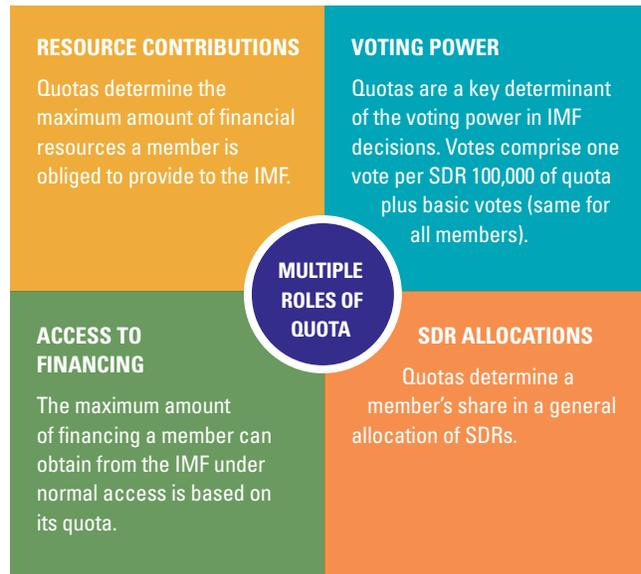
The IMF’s 189 member countries provide resources for loans primarily through their payment of quotas, which also set voting rights. Multilateral borrowing and bilateral borrowing serve as a second and third line of defense in times of crisis. These resources give the IMF access to about \$1 trillion in 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 \$661 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 317 billion. Borrowing channels come up for renewal at different times. The 2016 bilateral borrowing agreements are due to expire at the end of 2019 and can be extended by one year through the end of 2020.

Quotas are also reviewed regularly. The 15th General Review of Quotas, which is underway, 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 quota and voting shares of the poorest members. The 10-year-old formula that is used as a guide for determining quotas is also under review.

Quota Payments Made in FY2019

The conditions for implementing the quota increases agreed under the 14th General Quota Review were met on January 26, 2016. This resulted in a doubling of quota resources to



SDR 477 billion (about \$661 billion) from about SDR 238.5 billion (about \$330.5 billion). As of April 30, 2019, 181 of the 189 members had made their quota payments, accounting for more than 99 percent of the total quota increases, and total quotas stood at SDR 475 billion (about \$658 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. A total of SDR 204.2 billion (equivalent to about \$283 billion) has been allocated to members so far, including SDR 182.6 billion allocated in 2009 in the wake of the global financial crisis. The value of the SDR is based on a basket of five currencies—the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. The SDR serves as the unit of account of the IMF and some other international organizations. The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies.

Accountability

RISK MANAGEMENT AT THE IMF

By virtue of its role as established in the Articles of Agreement, the IMF faces a range of risks. In 2016, the Executive Board approved the levels of risk the IMF is willing to accept—and able to manage successfully—across its activities over an extended period of time. Risk acceptance is reviewed periodically by the Executive Board.

The IMF uses three lines of defense to actively manage risks. The first line of defense is the departments that conduct day-to-day operations and that establish and maintain systems of internal controls for identifying and managing the risks inherent in those operations. In specific areas, cross-departmental committees provide additional risk oversight.

The Office of Risk Management (ORM) serves as the second line of defense and is responsible for developing and maintaining the risk management framework, assessing risk, and reporting to management and the Executive Board on the IMF's overall risk profile, highlighting areas where risk mitigation efforts are required. In addition to the two formal Executive Board discussions on risk management, the past 12 months saw increased engagement with Executive Directors through more frequent informal interactions. The ORM risk assessment provides input to the IMF's strategic and budget planning cycle. The Fund Risk Committee, chaired by the First Deputy Managing Director, assesses and prioritizes risk mitigation efforts and ensures integration of the risk function across the institution.

The Office of Internal Audit—the third line of defense—provides assurance on the effectiveness of governance, risk management, and internal controls. Ultimate responsibility for managing and mitigating risks lies with management and the Executive Board.

The IMF monitors and actively manages risks across four broad and interrelated areas:

- **Strategic direction** is guided by the Managing Director's Global Policy Agenda, which is supported by the medium-term budget and responds 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 objectives while ensuring that its

financing model remains safeguarded. In managing lending risks, the IMF employs a multilayered 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 are integral parts of this framework.

- Risks in **cross-functional assets** refer to the capacity of the IMF's human capital, information security, technology, physical assets, and other supporting elements to enable implementation of the strategic direction and performance of the core functions.
- **Reputational risk** refers to the possibility that stakeholders might take a negative view of the IMF, resulting in damage to its credibility and traction.

In November 2018, the IMF discovered evidence that certain employees of a technology service provider had accessed IMF procurement information without authorization. A thorough investigation by an external firm concluded that no confidential personnel information or information related to the IMF's operational work or member countries had been accessed. The IMF has taken remedial action, including the implementation of strengthened information security controls to reduce operational risk going forward.

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 2019 EAC members were Kathy David (Chair), a chartered accountant and partner in an international accounting firm in Antigua and Barbuda; Kathryn Cearns, an independent consultant in the United Kingdom, providing advice on corporate reporting, auditing, and corporate governance; and Judith Lopez, a certified public accountant and former senior partner in an international accounting firm

in the Philippines and audit committee chair of a commercial bank in the Philippines.

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.

Box 3.4. 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 2019, 311 assessments had been conducted, covering 97 central banks; six of these assessments were completed in FY2019. 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 62 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 in which a member requests exceptional access to IMF resources and for which a substantial portion of the funds—at least 25 percent—is directed toward financing the state budget. During FY2019, one fiscal safeguards review was completed.

As part of the safeguards activity, regional seminars were conducted during FY2019 at the Singapore Training Institute, in Singapore, and the IMF Middle East Center for Economics and Finance, in Kuwait. The seminars highlighted international best practice 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 January 2019 for bank officials and their external auditors. The forum covered the legal underpinnings of board oversight, a broadened role for financial risk management, and implications for central banks for developments in fintech, data analytics, and artificial intelligence.

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 FY2019 work program coverage included the processes for decentralized field-based short-term expert appointments, the IMF's compliance activities, IT infrastructure managed services, the IMF's overseas presence, and quality control practices for capacity development outputs. The OIA's FY2019 coverage also included advisory support for the IHR program—which aims to deliver institutional value by modernizing the HR experience of staff, managers, and administrators—to provide ongoing input on the program's implementation progress. In addition, the OIA's coverage included work on an "Insight Note" covering the IMF's change management practices. The OIA also issued its inaugural annual report, during FY2019, with the objective of distilling broader qualitative themes anchored in the OIA's body of work.

Following the issuance of its *Ninth Periodic Monitoring Report* in FY2018, the OIA—in response to a recommendation from an external evaluation of the Independent Evaluation Office—proposed a framework to triage and follow up on open management actions, which was approved by the Executive Board.

The OIA also hosted the annual 2019 conference of the Chief Audit Executives of Multilateral Financial Institutions.

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 latest informal Board briefing on these matters in FY2019 took place in January 2019.

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. Its 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.

The 2018 External Evaluation of the IEO and Follow-up

In July 2018, the Executive Board discussed the third External Evaluation of the IEO, prepared by a panel of experts composed of Donald Kaberuka (Chair), Chia Der Jiun, and Pernilla Meyersson. The purpose of the evaluation was to reassess the effectiveness of the IEO and to consider possible improvements to its structure, mandate, operational modalities, and terms of reference.

Executive Directors shared the panel's view that the IEO has played a critical role in promoting the IMF's accountability, external credibility, and, to a certain extent, learning culture. They welcomed the assessment that the IEO's independence is firmly established and that the IEO enjoys a high degree of freedom in evaluating issues relevant to the IMF. At the same time, Executive Directors broadly supported the recommendations of the panel. Since the Board discussion, good progress has been made following up on the recommendations.

The IEO has refined the process for selecting topics for future evaluations, in particular, to enhance transparency and inclusiveness. In this context, the Executive Board endorsed an IEO proposal to introduce a new, shorter evaluation product on a pilot basis to allow the IEO to respond more nimbly to Board concerns.

The Board approved a framework to address the significant number of actions from management implementation plans for past evaluations that have remained outstanding for a long time. The framework establishes five broad categories and corresponding interventions that are required to strengthen the progress of management actions. This “triage” process will be applied in the context of the *10th Periodic Monitoring Report* (PMR).

The Board also endorsed steps to increase IEO involvement in the preparation of summings-up for Board discussions of IEO reports; strengthen the process for follow-up on IEO recommendations by making management implementation plan actions more specific, measurable, actionable, and relevant and by discussing PMRs in formal Board meetings; and further enhance collaboration between the IEO, management, and staff.

Executive Board Reviews of IEO Reports and Recommendations

THE IMF AND FINANCIAL SURVEILLANCE

In January 2019, the Executive Board discussed the IEO evaluation of *The IMF and Financial Surveillance*. Executive Directors welcomed the IEO report, which found that the IMF has substantially upgraded its financial surveillance since the global financial crisis. At the same time, they shared the view that there is scope to further enhance the quality and impact of the IMF’s financial surveillance. In this regard, they welcomed the Managing Director’s broad support for the IEO findings and recommendations.

Executive Directors supported the recommendation on strengthening financial and macro-financial analysis in Article IV surveillance, including by further integrating analysis from the Financial Sector Assessment Program (FSAP) in Article IV consultations and increasing the financial skills and expertise of country teams. Further progress in this area will require finding a right balance in the allocation of financial surveillance resources between FSAPs and Article IV surveillance.

Executive Directors broadly concurred with the recommendation to revisit the current approach to allocating FSAP resources to achieve a more flexible, dynamic, and risk-based allocation across countries and issues, and most Directors agreed with the proposal to review the number of

mandatory financial stability assessments. Executive Directors also agreed that a review of the scope and focus across FSAPs could better tailor assessments to country circumstances, including risks and regulatory gaps, while also avoiding overreliance on off-the-shelf international best practice. This will help increase value added and make better use of staff and authorities’ time and resources.

Executive Directors agreed or were open to the suggestion that in jurisdictions that conduct sophisticated stress tests, FSAPs should focus on designing risk scenarios and reviewing authorities’ models to limit the resource burden on the IMF and the authorities. Other Executive Directors felt, however, that the IMF should not cut back on stress testing in advanced economies to ensure a consistent quality of such tests. Executive Directors looked forward to discussing the above issues in the context of the FSAP review.

Executive Directors welcomed the finding that the IMF’s multilateral financial surveillance is well regarded and influential. At the same time, they noted room to enhance its traction by increasing rigor and transparency and by deepening collaboration with international partners. Along these lines, they broadly supported the recommendation to make more *Global Financial Stability Report* (GFSR) data and analysis available online, subject to copyright constraints, and adapting the GFSR presentation to make it an easier read for busy country officials, who are its main audience. Executive Directors also supported continuing to deepen cooperation with international partners, such as on the Early Warning Exercise with the Financial Stability Board, without compromising the IMF’s capacity to raise out-of-the-box issues. Executive Directors stressed the need for the IMF to continue its work with international regulatory agencies to assess the impact of reforms, drawing on its areas of comparative advantage and subject to resource availability.

Executive Directors supported the recommendation that the IMF continue to enhance its analytical tools to improve the understanding of macro-financial linkages. They considered the exchange of views between the IMF and major central banks, as well as the development of simplified tools and increased internal outreach, helpful for this purpose.

Executive Directors welcomed the recognition of the IMF's significant efforts to upgrade the macro-financial skills of its economists but agreed that this area remains a work in progress. They underscored that it is critical to ensure that country teams have the knowledge and support to integrate financial and macro-financial analysis into Article IV consultations.

Executive Directors agreed that to fully meet its responsibilities and objectives, the IMF should devote adequate resources to strengthening financial surveillance and concurred with the recommendation on the need for additional resources for this work.

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

IMF GOVERNANCE

In September 2018, the IEO issued an update of the 2008 report *IEO Evaluation of the Governance of the IMF*. The update concluded that, notwithstanding considerable advances since the publication of the IEO's 2008 evaluation of *Governance of the IMF*, the balance of the IMF's governance structure remained weighted in favor of effectiveness and efficiency; accountability and voice continued to raise concern that could affect IMF legitimacy and effectiveness. IMF governance had proved effective in supporting the IMF's capacity to fulfill its mandate, but the quota and voice reforms were not considered sufficient by much of the membership, and the alignment of "shares and chairs" remained a work in progress. The update also identified concerns regarding constraints on the Executive Board's capacity for strategic oversight, management's dominant role in the decision-making process, and the management accountability framework's limited practical impact. The selection process for top IMF management positions was considered by many stakeholders to be insufficiently transparent and merit-based and too limited by nationality considerations. The International Monetary and Financial Committee's provision of strategic direction to the IMF was seen by some members to be, at times, overshadowed by the less-representative Group of Twenty.

IMF STRUCTURAL CONDITIONALITY IN IMF-SUPPORTED PROGRAMS

In May 2018, the IEO issued an update of the 2007 report *IEO Evaluation of Structural Conditionality in IMF-Supported Programs*. The update found that there have been a number of important changes to the IMF's structural conditionality framework, notably the elimination of structural performance criteria, and that there has been progress in streamlining the use of structural conditionality and modest improvement in compliance. Nonetheless, the update concluded that many of the issues raised in the 2007 evaluation remained salient and merited renewed attention. Although the shift toward review-based conditionality was broadly welcome, there was still concern about lack of country ownership and possible stigma effects. The volume of structural conditions has shown some signs of rising in recent years; however, the impact remained in question. The report also identified challenges regarding cooperation with the World Bank and other partners in designing and monitoring IMF structural conditionality in areas outside the IMF's core expertise; the adequacy of IMF documentation justifying structural conditions; and the quality and usability of MONA, the IMF's database on IMF-supported programs.

The IEO Work Program

In addition to completing the projects discussed earlier, during FY2019, the IEO continued work on its evaluation of *IMF Advice on Unconventional Monetary Policies* and launched (1) an evaluation of *IMF Policy Advice on Capital Flows*; (2) an evaluation of *Adjustment, Debt, and Growth in IMF-Supported Programs*; (3) a shorter evaluation of *IMF Collaboration with the World Bank on Macro-Structural Issues*; and (4) an evaluation update of the 2009 report on *IMF Involvement in International Trade Policy Issues*.

The evaluation of *IMF Advice on Unconventional Monetary Policies* takes a detailed look at IMF advice to the major advanced economies that have carried out such policies and to a selection of advanced and emerging market economies that dealt with spillovers from these policies. It assessed whether the IMF provided useful advice on the range of instruments available to central banks, the likely efficacy of monetary policy relative to other policy options and the best policy mix,

and broader repercussions associated with these choices for both the originating countries and the countries affected by spillovers. It also assessed how well the IMF carried out its core mandate of promoting international monetary cooperation and was attuned to considerations of evenhandedness and multilateral consistency.

The evaluation of *IMF Policy Advice on Capital Flows* is in its early stages. With increasing international integration of financial markets, advice on how to garner the benefits of capital flows while containing potential risks—and dealing with stresses when such risks materialize—has become an important part of IMF surveillance. The evaluation will assess whether the IMF is providing added value to its membership in its advice on capital flows. Key issues include (1) whether advice is rooted in analysis and empirical support that has adapted to shifts in the environment and evolving experience, (2) whether advice is coherent and evenhanded, and (3) whether it strikes a balance between countries' individual circumstances and the broad interest of the membership.

The evaluation of *Adjustment, Debt, and Growth in IMF-Supported Programs* will focus on assessing the balance between adjustment and growth in program design and outcomes. Concerns about getting this balance right have intensified in recent years with increasing awareness that programs that do not deliver tangible growth benefits are likely to lose political support and fall short of debt sustainability objectives. Regarding program design, the evaluation will assess how programs sought to ensure adequate growth while reaching adjustment objectives and whether design choices were well substantiated by available economic evidence and judgment on political economy factors. For program implementation and outcomes, the evaluation will assess how and why program outcomes deviated from program projections and, to the extent possible, whether programs ultimately helped the country achieve higher growth.

The evaluation of *IMF Collaboration with the World Bank on Macro-Structural Issues* will be the first under the new shorter evaluation format adopted by the IEO on a pilot basis. Over the past decade, the IMF has paid increased attention to a range of macro-structural issues judged to be potentially critical

to macroeconomic outcomes—including jobs and growth, inequality, gender, and climate change—and has recognized the importance of collaborating with the World Bank and other institutions on these issues, given that they do not lie within the IMF's core areas of expertise. The evaluation will assess how effective this collaboration has been and will draw lessons on how to improve it.

The evaluation update of *IMF Involvement in International Trade Policy Issues* will revisit the IEO's 2009 evaluation of this topic in light of the considerable changes in the trade landscape over the past decade. It will take stock of progress in addressing issues raised in the 2009 evaluation, assess the response of the IMF to new issues that have emerged, and study potential challenges and opportunities. The update will look into the coverage and quality of the IMF's trade-related work, its relationship with other international institutions, external communications on trade issues, and the internal management of trade work.

Information and documentation on the IEO's completed, ongoing, and future evaluations are available at ieo.imf.org.

Implementation of Board-Endorsed Recommendations

In October 2018, the Executive Board approved the management implementation plan for the report *The IMF and Fragile States*. The package of actions is aimed at further strengthening the effectiveness of IMF engagement with countries in fragile and conflict-affected situations. The plan includes development of country engagement strategies for IMF member countries, consideration of options to provide more sustained financial support to these countries, practical steps to increase the impact of IMF capacity development, and consideration of human resource policies to ensure that the IMF has appropriate staff expertise and experience to work effectively in fragile and conflict situations.

In September 2018, the Executive Board discussed the *Ninth Periodic Monitoring Report (PMR) on the Status of Implementation Plans in Response to Board-Endorsed IEO Recommendations*. The report recognized that improvements in the follow-up process approved by the Board in 2015 have contributed to more consistent implementation of recent actions. At the same time, however, the PMR emphasized the growing stock of outstanding actions

and introduced new indicators to help highlight actions that may require management or Board intervention to advance implementation. The Executive Board supported the conclusion that progress on implementing the actions envisaged in management implementation plans continued to be uneven. As indicated above, the Board has subsequently approved a new framework to address the significant number of outstanding actions in the context of the 10th PMR.

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 public discussion and examination of these policies; policymakers are more accountable; the credibility of policies is enhanced; and financial markets are more efficient and orderly. Greater IMF openness and clarity about its own policies and advice to member countries contribute to a better understanding of its role and operations, building traction for IMF 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).

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 Communications Department is primarily responsible for conducting outreach activities and engagement with external stakeholders.

The communication 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 communication 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 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 FY2019 included corruption, inequality, gender, social protection, fintech, and inclusive growth.

Parliamentarians

The IMF values its interactions with parliamentarians, who shape legislation and represent their constituents. About 50 Members of Parliament (MPs) from over 20 countries attended the 2018 Annual Meetings parliamentary workshop in Bali to discuss transparency, job creation, women's economic empowerment, and developing human capital. In March 2019, 19 MPs from Bangladesh, Bhutan, India, Nepal, and Sri Lanka participated in a workshop organized at the IMF's South Asia Regional Training and Technical Assistance Center in New Delhi, where they discussed public financial management, taxation, and trade, among other relevant topics. A similar workshop at the Joint Vienna Institute brought together about 20 parliamentarians from Central and Southeastern Europe to discuss the IMF's new governance framework and economic prosperity. Nearly 170 MPs from more than 60 countries attended the 2019 Spring Meetings Global Parliamentary Conference, where topics included partnerships to use private sector data for policymaking, climate change, fiscal transparency, and income inequality. The conference included a townhall-style discussion with Managing Director Christine Lagarde.

Civil Society Organizations

The IMF continued to engage closely with civil society organizations (CSOs). About 620 CSO representatives attended the 2018 Annual Meetings; one of the highlights was a video conversation with Winnie Byanyima, executive director of Oxfam International, on inequality, taxation, and gender. The IMF also sponsored 21 CSO fellows, and close to 50 CSO policy forum sessions took place on topics including gender, corruption, inequality, debt, the IMF review of conditionality,

and international taxation. Managing Director Lagarde spoke at a townhall-style meeting attended by more than 400 CSO representatives.

More than 1,000 CSO representatives attended the 2019 Spring Meetings. The IMF sponsored 15 CSO fellows, and 46 CSO policy forum sessions covered topics including corruption, debt, gender, taxation, and social protection.

The IMF held several consultations with CSO representatives, including on the IMF 2019 analysis of international corporate taxation, designing an IMF framework on social spending, the review of conditionality and design of IMF-supported programs, and inclusive growth in the Middle East and Central Asia. Regional CSO workshops were held in countries including Indonesia, Jordan, Morocco, and the Philippines.

Labor Unions

Dialogue with labor unions continued through a variety of interactions. In March 2019, 65 labor union leaders and representatives from 35 countries participated in the High-Level Meetings of the IMF, World Bank, and International Trade Union Confederation in Washington, DC, where they interacted with IMF management and senior staff on topics including the global economic outlook, inequality, and social spending. During the year, staff members conducted consultations with unions on a variety of policy issues, including the IMF framework on social spending. Many country teams exchanged views with national unions as part of their economic surveillance and program missions.

Corporate Social Responsibility

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

This year, the annual Giving Together campaign broke two records. A new record of 62 percent of staff participation surpassed the 2017 rate of 43 percent. Donations and pledges from staff and retirees for this fiscal year amounted to \$3 million, directed to 1,352 different charities around the world—also exceeding last year’s figure of \$2.6 million. The Giving Together program organized disaster relief appeals matched at 100 percent for the victims of both the volcano eruption in Guatemala and the earthquake and tsunami in Sulawesi, Indonesia.

The IMF provides monetary grants to local and international charities that foster economic independence through the promotion of education and economic opportunities. In FY2019, \$115,000 was distributed to 12 charities in the Washington, DC, area, and \$100,000 was distributed to 10 international nonprofit organizations. Donations from IMF management helped support grassroots charities that are focused on helping lift people out of poverty and provide education to the underprivileged. Donations totaling \$165,000 were made during management visits to various countries, including Angola, Dominica, Fiji, Ghana, Honduras, Indonesia, South Africa, and Tonga.

There were several volunteering events during the fiscal year. In July 2018, 150 staff members assembled 750 backpacks for school-age children affected by refugee crises. In October 2018, the IMF, partnering with the Indonesian authorities, organized a volunteering event to rehabilitate coral reefs in Bali as a contribution to the local community that hosted the 2018 Annual Meetings. Other volunteering activities included teaching financial literacy and English tutoring to local high school students, writing encouragement cards to children with cleft palates, and packing meals for local families in need.

As part of the IMF’s commitment to building a sustainable future, it has taken actions to reduce its environmental footprint and climate impact. In January 2019, the IMF eliminated single-use plastics throughout its food service operations and the Concordia Hotel, thereby eliminating the use of over 1 million plastic items each year.

In addition, the IMF mailroom receives an estimated 5–7 tons of catalogs and other marketing materials annually. In January 2019, the IMF embarked on an initiative to reduce unwanted mail by unsubscribing recipients and stopping distribution of third-class marketing mail. As of the end of FY2019, the IMF had prevented 2 tons of unwanted paper mail from being sent and distributed. In addition, the IMF is moving toward obtaining all newspaper subscriptions through applications available on mobile devices and computers.

The IMF’s recycling and composting efforts have diverted 63 percent of our produced waste (FY2019), equivalent to 1,062 tons of diverted waste. During FY2019, 37.5 percent of the IMF’s energy came from renewable sources.

Regional Offices

A key post in the Asia-Pacific region, the IMF Regional Office for Asia and the Pacific (OAP) plays an important role in economic surveillance, capacity building for Asian policymakers, and outreach in Japan and beyond to help advance international economic cooperation and the IMF’s strategic goals. The office and its operations are generously cofinanced by the government of Japan.

OAP helps monitor economic and financial developments in the Asia-Pacific region, and its economists work with IMF country teams engaged in bilateral surveillance with Japan, Cambodia, and Vietnam. In addition, OAP staff actively participate in forums in Asia for policy dialogue, including the Association of Southeast Asian Nations plus China, Japan, and Korea (ASEAN+3); Asia-Pacific Economic Cooperation (APEC); and the Executives’ Meeting of East Asia Pacific Central Banks (EMEAP).

OAP plays a critical role in the IMF’s efforts to build the capacity of economic policymakers in the region to help support sustainable economic development through strong macroeconomic management. The office administers the Japan-IMF Scholarship Program for Asia (JISPA), which supports young officials from Asia in the pursuit of graduate degrees in Japan. The program was launched in 1993 and has more than 700 alumni from 23 countries, many of whom now hold senior positions at central banks, ministries, and other government agencies. Since 2018, the office has offered a two-

week continuing education course for alumni to brush up on their skills to help further advance their careers and contribute to policymaking in their own countries. In addition, the office collaborates with internal and external partners to run the Japan-IMF Macroeconomic Seminar for Asia, an executive training course for Asian officials, and various regional capacity building seminars. OAP held three such regional seminars during FY2019: in Samoa on financial inclusion, in Vietnam on infrastructure governance and financing options, and in Cambodia on financial stability.

The regional office promotes outreach and external communication activities in Japan and throughout Asia to increase the IMF's visibility and enhance public understanding of the IMF's operations and policy recommendations. This fiscal year, OAP organized a high-level policy conference on trade-related issues against the backdrop of US-China trade tensions and held 10 public Economic Issues Seminars on the global economic outlook and other key thematic issues. To reach out to youth, in 2017 OAP started a series of macroeconomist training courses for university students in Japan. In FY2019, four of these training courses were held in Tokyo and other cities.

To bolster its outreach efforts, the office maintains two websites (OAP and JISPA) to share information and contribute to the IMF social media feeds in both Japanese and English, in addition to engaging with the media, businesses, and think tanks in Japan and elsewhere in Asia.

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 European Union and the 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 organizes several joint workshops and events and convenes high-level policy lunches and media briefings in European capitals to discuss the IMF's views on key challenges facing the region. The office publishes a newsletter and maintains an external website as well as an active Twitter feed (@IMF_inEU). Finally, the office supports IMF recruiting efforts by interviewing candidates at universities in several European countries.

Outreach by Resident Representatives

In 77 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 March 2019, Director of the IMF Office in Europe and Senior Resident Representative to the European Union Jeffrey Franks delivered a TEDx Talk on "Acting Globally in an Interconnected World" at the University of St. Gallen, Switzerland. For this year's event, the speakers, coming from all walks of life, had to deliver a "note to self." Franks' main message was to "act globally for a better world. Be the generation that renews international cooperation to confront our common problems."

Ukraine Resident Representative Gösta Ljungman held events in the cities of Ternopil, Vinnytsia, and Kyiv, explaining the work of the IMF and its engagement with Ukraine to university students and economic journalists. He also presented the European *Regional Economic Outlook* to academics and media in Kyiv.

On Yemen, in a series of outreach meetings, Resident Representative Kareem Ismail discussed with donors the government's capacity-building needs, delivery of technical assistance, and how to avert further deterioration in humanitarian conditions through improved macroeconomic policies and management. Discussions focused on ways to restore the integrity and effectiveness of public institutions and resume public services throughout Yemen. As part of this effort, Ismail also presented—at a donor meeting in January 2019 hosted by the Quad advisory group (Saudi Arabia, United Arab Emirates, United Kingdom, United States)—the findings of the IMF diagnostic mission on the capacity-building needs of the central banking system, as well as the conclusions of the IMF staff visit in December 2018.

Since arriving in March 2018, the IMF's Resident Representative to Pakistan Teresa Daban Sanchez has conducted intensive outreach aimed at strengthening relations between the IMF and Pakistani society following the lifting of the five-year mission suspension. These efforts intensified after the elections in July 2018 and were critical to facilitating the request by the new Pakistani authorities for an IMF program in late 2018. In addition, Sanchez's efforts were instrumental in fostering the new government's interest in resuming technical assistance missions and highlighting to the public the value of a working relationship with the IMF.

As in previous years, IMF outreach in Jamaica was extensive in FY2019. This included (1) a presentation by Resident Representative Constant Lonkeng Ngouan to high school students from across the country on the role of the IMF and its strong partnership with Jamaica; (2) engaging a wide cross-section of stakeholders on the need to shift focus away from the exchange rate as the central bank transitions to inflation targeting; (3) a luncheon series between the IMF mission team and members of the Economic Program Oversight Committee to explore how the private sector can play a leadership role in identifying investment opportunities as macroeconomic stability becomes entrenched; and (4) explaining to the wider public the nature of the relationship between Jamaica and the IMF after the precautionary Stand-By Arrangement (preceded by the Extended Fund Facility) expires later in 2019.

At the invitation of the Department of Economics of Rafael Landívar University, Regional Resident Representative to Guatemala Gerardo Peraza presented the Western Hemisphere Department's *Regional Economic Outlook*. In June 2018, Peraza participated as a special guest at the Bank of Guatemala's XXVII Ciclo de Jornadas Económicas, presenting the key takeaways at the conclusion of the conference, which included Era Dabla-Norris, from the Fiscal Affairs Department, as one of the main speakers.

Resident Representatives to Africa have been reaching out to new audiences, including through digital media. Resident Representative to Côte d'Ivoire Jose Gijon supported IMF Communications staff in delivering a course to 20 journalists from the West African Economic and Monetary Union countries and presenting on the role of the IMF in the region. Resident Representative to Guinea Jose Sulemane delivered four training sessions to the representatives of civil society organizations on public financial management and budget issues. Resident Representative to Malawi Jack Ree has been active on LinkedIn, posting short analytical notes on selected macroeconomic issues.

Further Reading

PART 1—OVERVIEW

INTRODUCTION

The IMF's Key Roles

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

SPOTLIGHTS

1. Making the Case for Trade

October 2018 *World Economic Outlook: Challenges to Steady Growth*: <https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018>

April 2019 *World Economic Outlook: Growth Slowdown, Precarious Recovery*: <https://www.imf.org/en/Publications/WEO/Issues/2019/03/28/world-economic-outlook-april-2019>

2018 *External Sector Report: Tackling Global Imbalances amid Rising Trade Tensions*: <https://www.imf.org/en/Publications/ESR/Issues/2018/07/19/2018-external-sector-report>

Policy Papers—Reinvigorating Trade and Inclusive Growth: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/09/28/093018-reinvigorating-trade-and-inclusive-growth>

Policy Papers—Economic Integration in the Maghreb: An Untapped Source of Growth: <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2019/02/08/Economic-Integration-in-the-Maghreb-An-Untapped-Source-of-Growth-46273>

2. Deepening Financial Stability Analysis

April 2019 *Global Financial Stability Report: Vulnerabilities in a Maturing Credit Cycle*: <https://www.imf.org/en/Publications/GFSR/Issues/2019/03/27/Global-Financial-Stability-Report-April-2019>

October 2018 *Global Financial Stability Report: A Decade after the Global Financial Crisis: Are We Safer?*: <https://www.imf.org/en/Publications/GFSR/Issues/2018/09/25/Global-Financial-Stability-Report-October-2018>

3. Dealing with Debt

Policy Papers—Assessing Fiscal Space: An Update and Stocktaking: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/06/15/pp041118assessing-fiscal-space>

4. Harnessing Digital Dividends

Departmental Papers—FinTech in Sub-Saharan African Countries: A Game Changer?: <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2019/02/13/FinTech-in-Sub-Saharan-African-Countries-A-Game-Changer-46376>

Staff Discussion Notes—Casting Light on Central Bank Digital Currencies: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/11/13/Casting-Light-on-Central-Bank-Digital-Currencies-46233>

Treatment of Crypto Assets in Macroeconomic Statistics: <https://www.imf.org/external/pubs/ft/bop/2019/pdf/Clarification0422.pdf>

Policy Papers—The Bali Fintech Agenda: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/10/11/pp101118-bali-fintech-agenda>

Staff Discussion Notes—Gender, Technology, and the Future of Work: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/10/09/Gender-Technology-and-the-Future-of-Work-46236>

Working Papers—Technology and the Future of Work: <https://www.imf.org/en/Publications/WP/Issues/2018/09/28/Technology-and-the-Future-of-Work-46203>

Joint Responsibility Shared Rewards: The Managing Director's Global Policy Agenda: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/04/11/managing-director-global-policy-agenda-spring-2019>

IMF Blog—Chart of the Week: Invest in Robots and People in Asia: <https://blogs.imf.org/2018/08/29/chart-of-the-week-invest-in-robots-and-people-in-asia/>

5. Promoting Global Opportunities

Staff Discussion Notes—Work in Progress: Improving Youth Labor Market Outcomes in Emerging Market and Developing Economies: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Work-In-Progress-Improving-Youth-Labor-Market-Outcomes-in-Emerging-Market-and-Developing-45130>

April 2019 *Fiscal Monitor: Curbing Corruption*: <https://www.imf.org/en/Publications/FM/Issues/2019/03/18/fiscal-monitor-april-2019>

Policy Papers—How to Operationalize Inequality Issues in Country Work: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/06/13/pp060118howto-note-on-inequality>

Policy Papers—How to Operationalize Gender Issues in Country Work: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/06/13/pp060118howto-note-on-gender>

Staff Discussion Notes—Fiscal Policy and Development: Human, Social, and Physical Investments for the SDGs: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>

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PART 2—WHAT WE DO

ECONOMIC SURVEILLANCE

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Press Release—IMF Releases the 2018 Financial Access Survey: <https://www.imf.org/en/News/Articles/2018/09/28/pr18366-imf-releases-the-2018-financial-access-survey>

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Press Release—IMF Executive Board Completes Second Review under the Policy Coordination Instrument for Seychelles: <https://www.imf.org/en/News/Articles/2018/12/07/pr18462-seychelles-imf-executive-board-completes-second-review-under-pci>

Press Release—IMF Executive Board Approves 30-Month Policy Coordination Instrument for Serbia: <https://www.imf.org/en/News/Articles/2018/07/18/pr18299-serbia-imf-executive-board-approves-30-month-policy-coordination-instrument>

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PART 3—WHO WE ARE

Press Release—International Monetary Fund Appoints Edward C. Anderson as Chief Information Officer: <https://www.imf.org/en/News/Articles/2018/04/25/pr18148-international-monetary-fund-appoints-edward-c-anderson-as-chief-information-officer>

Press Release—Christine Lagarde Appoints Gita Gopinath as IMF Chief Economist: <https://www.imf.org/en/News/Articles/2018/10/01/pr18386-christine-lagarde-appoints-gita-gopinath-as-imf-chief-economist>

Press Release—IMF General Counsel Sean Hagan to Retire: <https://www.imf.org/en/News/Articles/2018/06/18/pr18242-imf-general-counsel-sean-hagan-to-retire>

Press Release—IMF Chief Economist Maurice Obstfeld to Retire: <https://www.imf.org/en/News/Articles/2018/07/25/pr18307-imf-chief-economist-maurice-obstfeld-to-retire>

Press Release—IMF Managing Director Christine Lagarde Appoints Rhoda Weeks-Brown as General Counsel of the IMF and Director of the Legal Department: <https://www.imf.org/en/News/Articles/2018/07/30/pr18321-imf-lagarde-appoints-rhoda-weeks-brown-as-general-counsel-of-the-imf>

Independent Evaluation Office: <https://ieo.imf.org/>

Acronyms and Abbreviations

AML/CFT	anti-money laundering and combating the financing of terrorism	GRA	General Resources Account
CCRT	Catastrophe Containment and Relief Trust	HIPC	heavily indebted poor country
CEMAC	Central African Economic and Monetary Community	IEO	Independent Evaluation Office
D4D	Data for Decisions	IFRS	International Financial Reporting Standards
EAC	External Audit Committee	IMFC	International Monetary and Financial Committee
ECCU	Eastern Caribbean Currency Union	LIDC	low-income developing country
ECF	Extended Credit Facility	OIA	Office of Internal Audit
EFF	Extended Fund Facility	PLL	Precautionary and Liquidity Line
e-GDDS	Enhanced General Data Dissemination System	PRGT	Poverty Reduction and Growth Trust
EWE	Early Warning Exercise	PRS	Poverty Reduction Strategy
FAS	Financial Access Survey	RCF	Rapid Credit Facility
FCL	Flexible Credit Line	RFI	Rapid Financing Instrument
FSAP	Financial Sector Assessment Program	SBA	Stand-By Arrangement
FSSR	Financial Sector Stability Review	SCF	Stand-By Credit Facility
FY	financial year	SDGs	Sustainable Development Goals
G20	Group of Twenty industrialized economies	SDR	Special Drawing Right
GDP	gross domestic product	WAEMU	West African Economic and Monetary Union
GFSR	Global Financial Stability Report	WEO	<i>World Economic Outlook</i>
		WTO	World Trade Organization

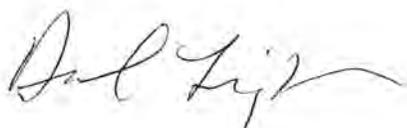
Letter of Transmittal to the Board of Governors

August 1, 2019

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, 2019, 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, 2020, are presented in Part 3. The audited financial statements for the year ended April 30, 2019, 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/2019/eng. The external audit and financial reporting processes were overseen by the External Audit Committee comprising Ms. David (Chair), Ms. Cearns, and Ms. Lopez, as required under Section 20(c) of the Fund's By-Laws.

Yours truly,

A handwritten signature in black ink, appearing to read "David Lipton", written in a cursive style.

David Lipton
Acting 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 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/AR2019

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 and Jeffrey Hayden oversaw the work of the report team, which was under the direction of the Executive Board's Evaluation Committee, chaired by Jin Zhongxia. Nagwa Riad served as chief writer and Wala'a El Barasse as project manager. Denise Bergeron served as production manager and Crystal Herrmann assisted with the digital design. Hyoun Woo Park provided administrative assistance.

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“Policies
must create
conditions for people
to succeed...
to restore trust,
to tackle corruption, and to
boost long-term
inclusive growth.”

David Lipton
IMF Acting Managing Director



International Monetary Fund
700 19th Street NW
Washington, DC 20431 USA

www.imf.org

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