



IMF POLICY PAPER

FY2019–FY2021 MEDIUM-TERM BUDGET

May 2018

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its April 25, 2018 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on March 29, 2018 for the Executive Board's consideration on April 25, 2018.

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IMF Executive Board Approves FY2019–FY2021 Medium-Term Budget

On April 25, 2018, the Executive Board of the International Monetary Fund (IMF) approved the IMF's administrative and capital budgets for financial year (FY) 2019, beginning May 1, 2018, and took note of indicative budgets for FY2020–21.

The net administrative budget for FY2019, which covers all administrative expenses less receipts (primarily from external sources to help support capacity building activities and excluding lending income), has been set at US\$1,135 million.

The FY2019 budget represents an unchanged resource envelope in real terms for the seventh year in a row, with the exception of a small (0.6 percent) increase in FY2017 to meet rising cyber and physical security costs. To enable the maintenance of a flat budget while accommodating new institutional priorities, reallocation and savings measures amounting to 2½ percent of the previous year's budget are planned for implementation. As is customary, the nominal dollar budget includes an adjustment to accommodate price increases, 2.3 percent for FY2019.

The FY2019 capital budget, set at US\$71 million, provides financing for new capital projects for building facilities and IT.

Additional information can be found in the staff paper: [The FY2019–FY2021 Medium-Term Budget](#).



FY2019-FY2021 MEDIUM-TERM BUDGET

March 29, 2018

EXECUTIVE SUMMARY

The FY 19 budget proposal is formulated against the backdrop of a strengthening global recovery and broadly balanced near term risks. The budget reflects a solid income position and a multi-year strategic agenda—operationalized in the Global Policy Agenda (GPA) and Board Work Program—to help members take advantage of the current cyclical upswing to bolster growth, harness the benefits of technology for all, while promoting resilience and responding swiftly to requests for program support.

The net administrative budget for FY 19 remains unchanged in real terms, save for the extra customary travel allocation for Annual Meetings held abroad. This represents the seventh year in a row of flat real budget envelopes (excluding the ½ percentage point security related increase in FY 17). The proposal reflects reallocations of some 2½ percent of the net budget. As the expected FY 18 outturn is just below the approved budget, carry-forward resources equivalent to 4 percent of the net budget from earlier years would still be available. Of these, roughly one half (\$19 million) has been allocated upfront in the FY 19 budget process.

The impact of savings and demands on the Fund’s overall output structure is modest. Fund-financed structural resources are projected to shift slightly from global oversight towards multilateral surveillance as a net result of reallocations from completed to new policy work and reviews, in line with the Board Work Program. Fund-financed country work—bilateral surveillance, lending and capacity development—falls somewhat. Externally financed capacity development (CD) is expected to grow further. Support and governance areas continue to experience structural pressures.

The same level of real resources is assumed over the medium-term. However, with medium-term risks to the economic outlook still on the downside, were upside spending pressures to emerge, the flat real budget stance would require a continued ability to find offsetting savings to meet emerging and unforeseen priorities.

The capital budget envelope for FY 19 is broadly unchanged from the assumptions in the FY 18–20 Medium-Term Budget. The amounts for the outer years are indicative.

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OVERVIEW

Proposed FY 19 Budget and Medium-term Spending Envelopes

Solid income position and a multi-year strategic agenda

The FY 19 budget proposal is formulated against a strengthening global recovery and broadly balanced risks in the near term. The budget reflects a solid income position and a multi-year strategic agenda—operationalized in the GPA and Board Work Program—to help members take advantage of the current cyclical upswing to bolster growth, harness the benefits of technology and integration for all, while promoting resilience and responding swiftly to requests for program support.

Flat budget in real terms in FY 19

The net administrative budget envelope for FY 19 remains unchanged in real terms, save for the extra customary travel allocation for Annual Meetings held abroad. The proposal reflects reallocation towards new needs and priorities of some 2½ percent of the net budget.

And flat resource envelope over the medium term

The same level of real resources is assumed over the medium-term. However, with medium-term risks to the economic outlook still on the downside, were upside spending pressures to emerge, the flat real budget stance would require a continued ability to find offsetting savings to meet emerging and unforeseen priorities.

Table 1 sets out the main budget components: net and gross administrative budget envelopes, and capital, expressed in current and constant USD.

Table 1. Administrative and Capital Budget Envelopes, FY 18–21
(Millions of U.S. dollars, unless otherwise noted)

Current USD	FY 18		Budget changes			Proposed	Indicative	
	Budget	Est. Outturn	Demands	Savings	Ext.-financed	FY 19 Budget 1/	FY 20 Budget	FY 21 Budget
Total income	1,859	1,950				1,760	2,507	2,027
Gross administrative budget	1,315	1,299				1,371	1,395	1,427
Receipts	(211)	(204)				(236)	(240)	(246)
Net Administrative Budget 2/	1,104	1,095				1,135	1,155	1,180
Capital Budget (IT and Facilities) 2/	66	58				71	70	85
Constant FY 18 USD								
Gross administrative budget	1,315	1,299	22.8	23.4	20.0	1,340	1,332	1,334
Receipts	(211)	(204)	1.9	1.4	(20.0)	(231)	(229)	(230)
Net Administrative Budget	1,104	1,095	24.8	24.8	-	1,110	1,104	1,104
<i>of which: Annual Meetings (additional)</i>						6		
Capital Budget (IT and Facilities)	66	58				70	67	79
Memorandum items								
<i>Carry forward</i>	44	...				46	...	...
<i>Allocated up-front</i>	24	...				19	...	...
<i>Global external deflator (change)</i>	2.9	...				2.3	2.3	2.2
<i>Personnel component (70 percent) 3/</i>	3.0	...				2.2	2.2	2.2
<i>Non-personnel (30 percent) 4/</i>	2.6	...				2.6	2.4	2.1

Source: Office of Budget and Planning.

1/ Includes travel to the Annual Meetings to be held abroad.

2/ Net income in the IFRS Financial Statements also take into account the impact of IAS 19 gains and losses, capital expenses and depreciation. Estimated outturn reflects appropriations from earlier years, as well.

3/ Reflects the Board approved structure adjustment for FY 19 with placeholders for FY 20 and FY 21.

4/ Reflects the April 2018 WEO projections of the U.S. CPI.

Main Components of the Budget Proposal (Table 1)

FY 19 net administrative budget	\$1,110 million in constant FY 18 dollars, representing a flat-real resource envelope for the seventh year in a row (excluding the \$6 million security related increase in FY 17), plus an extra \$6 million for the Annual Meetings in Indonesia. ¹ \$1,135 million in nominal terms, reflecting an assumed Global External Deflator (GED) of 2.3 percent.
FY 19 gross administrative budget	\$1,371 million in nominal terms, reflecting \$236 million in receipts. Most of the receipts—\$196 million—consist of reimbursements for externally-financed capacity development (CD) activities.
Savings and Demands	\$25 million in constant FY 18 dollars of net additional structural demands, offset by reallocations and savings of the same amount. Gross additional demands are higher reflecting growth in externally financed CD activities, offset fully by increased receipts.
Transitional needs	As the expected FY 18 outturn is just below the approved budget (see Appendix I), \$46 million in carry-forward resources from the previous year would still be available. Of these \$31 million are available to fund transitional needs with the remainder for OED and IEO. Of the \$31 million, \$19 million have been allocated to departments in the FY 19 budget process.
FY 19 capital budget proposal	\$71 million in nominal terms and indicative estimates for the outer years.

The Remainder of the Paper is Structured as Follows:

Section II	The strategic context for the medium-term budget.
Section III	The medium-term budget proposal: proposed use of resources across the Fund's five main direct outputs (Multilateral Surveillance, Oversight of Global Systems, Bilateral Surveillance, Lending and CD) and Support and Governance activities; and, implications for departments.
Section IV and V	The budget proposal from an input perspective, budget risks, and capital budget.
Section VI	Summary proposal for FY 19.
Appendices	Projected FY 18 Outturn, Budget Concepts and Methodology, Capital: Financial Treatment and Long-term Planning, and Statistical Tables.

¹ The budget envelope also assumes an unchanged net administrative budget in real terms for the Offices of the Executive Directors (OED) and the Independent Evaluation Office (IEO), subject to approval by the Executive Board.

THE STRATEGIC CONTEXT

1. **The size of the Fund’s budget and its allocation respond to, and are guided by, four broad drivers with differing time-frames:**

- **Financial sustainability** is assessed based on net income projections under appropriately conservative assumptions for income drivers, mainly lending volumes and investment returns. This is primarily a medium- to long-run consideration.
- **Institutional priorities** are set largely in a medium-term context and evolve gradually in response to new challenges faced by the membership and a systematic process of policy review. Resources are decided in the context of the reviews, providing assurance to departments that the medium-term objectives can be fulfilled. Some priorities may be updated more frequently, and are reflected in the GPA.
- **Economic conditions** drive the cyclical and unpredictable component of the Fund’s work—its “firefighting” activities via program support and intensive surveillance of countries and regions.
- **Modernization** of how the Fund does business to continue serving the membership effectively.

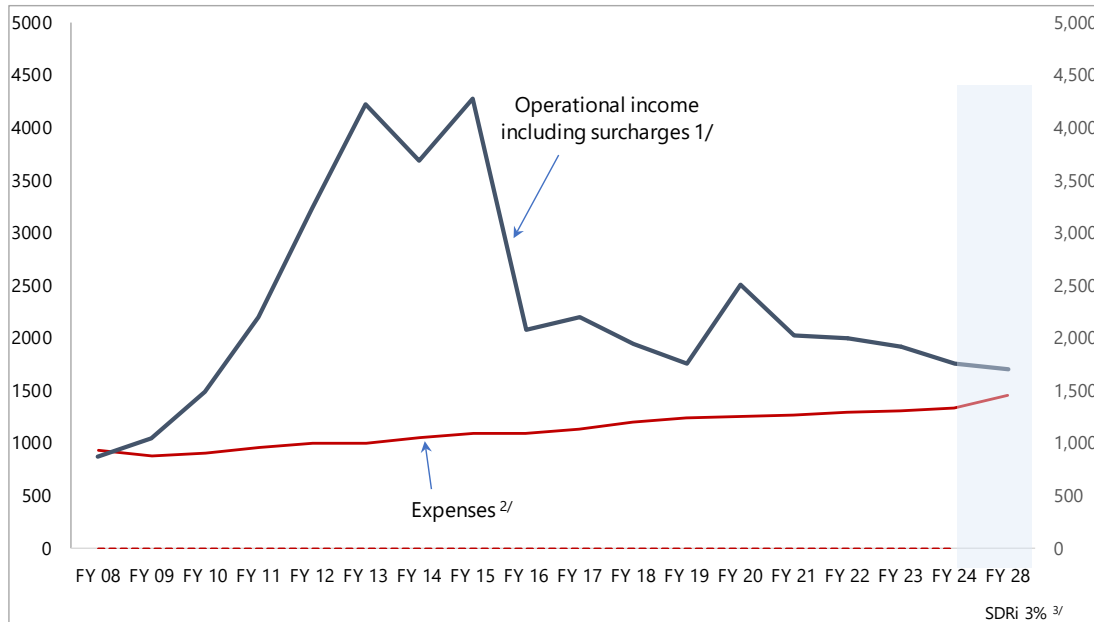
2. **The role of the annual budget process is to pull together a picture of expenditure considering these broad drivers.** Specifically, to align resources with evolving institutional priorities and changes in economic conditions, confirm that the spending trajectory remains consistent with income projections, and preserve sufficient buffers and flexibility to respond to unforeseen in-year demands. Short-term unforeseen pressures are typically met through a combination of overtime, intra- and inter-departmental reallocations (see Risk Matrix) and use of the contingency.

3. **Net operational income is projected to remain positive over the medium-term** (Figure 1). This outcome allows the buildup of adequate precautionary balances to manage financial risks and holds under appropriately conservative illustrative longer-term assumptions in the context of the New Income Model (NIM). Key assumptions in the longer-term (FY 28) include a lending volume of SDR 20 billion (versus an average stock of SDR 43.4 billion in FY 18); an SDR interest rate of 3 percent, with an unchanged margin of 100 basis points for the rate of charge; 50 basis points excess return over the SDR rate in the Fixed Income Subaccount; a constant USD payout from the Endowment; and no surcharge income.²

4. **The Fund's institutional priorities are anchored in multi-year reviews of its main activities in the context of the evolving needs of its membership.** Comprehensive reviews of surveillance, program conditionality, and CD—covering the Fund’s three core activities—are conducted every five years and supplemented by staggered reviews of specific activities and policies, such as the FSAP, transparency policy, or debt sustainability assessments. Lessons from these assessments, as well as from IEO evaluations, translate into recommendations that shape the Fund’s medium-term work priorities and, by extension, budgetary expenditure.

² See [Review of the Adequacy of the Fund's Precautionary Balances; IMF Policy Paper, December 26, 2017](#) and Review of the Fund’s Income Position for FY2018 and FY2019–2020 (www.imf.org) under Policy Paper, April 25, 2018).

Figure 1. Actual and Projected Income and Expenses, FY 08–28
(Millions of U.S. dollars)



Source: Finance department.

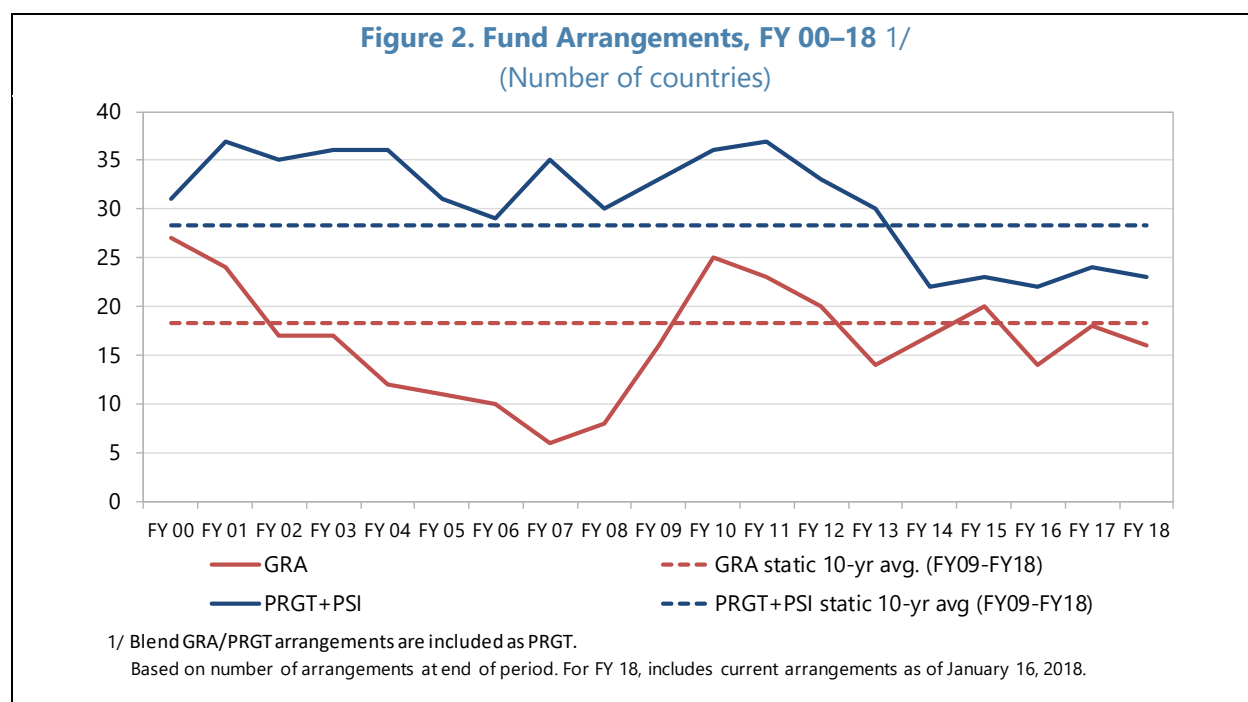
1/ Operational income including surcharges excludes IAS 19 gains and losses, and includes investment income from the Fixed-Income and Endowment Subaccounts. The endowment payout is indicative and assumes a constant payout of 2 percent of the NAV (in US\$) starting in FY 2021, adjusted for inflation in the following years; the Executive Board is expected to discuss the framework for the endowment payout policy as part of the Investment Account review in March 2018.

2/ Assumes that the net administrative budget is held constant in real terms.

3/ The illustrative scenario in FY 2028 assumes credit outstanding to be SDR 20 billion, precautionary balances at SDR 15 billion, SDR interest rate of 3 percent, and the premium on investment return equal to 50 basis points.

5. **The multi-year agenda is refined in-year to respond to new realities and changing demands.** Priorities have been reviewed and updated twice a year in the Managing Director’s GPA which, together with the IMFC Communiqués, guides the Executive Board Work Program and the objectives and deliverables of individual departments as the basis for the annual budget formulation. This process has ensured that the Fund’s activities and its budget are both grounded in a medium-term perspective and, at the same time, responsive to new challenges. As discussed in more detail below, the existing budget is currently deemed sufficient to deliver on the Fund’s medium-term institutional priorities, provided new needs can continue to be met through reprioritization and savings.

6. **Economic conditions indicate broadly balanced risks in the near-term with a manageable impact on the Fund’s lending and surveillance activities.** Global economic activity continues to firm up, with risks broadly balanced in the near-term. Overall, the number of countries with Fund-supported programs is below the long-term average (Figure 2), although vulnerabilities persist in many economies. Resource pressures remain in some regions, with prospects for new Fund-supported programs evident in the African and Middle Eastern regions. Looking further ahead, medium-term risks are tilted to the downside, including from a potential build-up in financial vulnerabilities, geopolitical tensions, and any shift towards restrictive trade practices. The Fund’s *budgetary buffers appear adequate for FY 19, but in the event of a large, sustained increase in lending activity, budget adjustments would be needed. Lending income would also increase with a lag.*



7. **In a time of rapid technological and financial innovation, the Fund needs to modernize to effectively serve the membership.** Several initiatives are underway to help the Fund benefit from technological advancements, including: digital transformation; modernization of our data and statistics work; knowledge management; innovation (supported by the newly created iLab); and continuous technological upgrades in support of the Fund's activities. How the Fund communicates also needs to keep up with changes in how the public uses media, to ensure that key policy messages reach intended audiences and get traction. To complement these efforts, an Advisory Group (AG) of senior Fund staff was constituted by Management in the Fall of 2017 and tasked with recommending how the Fund should best prepare for the future. This has involved taking a broad look at what the Fund does and how it does it, covering a wide range of activities including surveillance, outreach, CD, engagement with the Board, as well as use of technology and support services. The AG's work has been guided by three overarching goals:

- continue modernizing our operations and work practices through more strategic and targeted approaches, to make room for newer activities;
- leverage opportunities in a fast-changing world (e.g., digital technologies), to make the Fund's work more impactful and meaningful for our members and the broader public; and
- modernize back-office functions, applying best practices from our peers and other organizations, and free up human resources for higher value-added activities.

The AG's recommendations have been broadly endorsed by management, and implementation planning is under way. While many of the recommendations could result in savings, some could require up-front investments, including additional capital budget, to achieve efficiency gains over the long run.

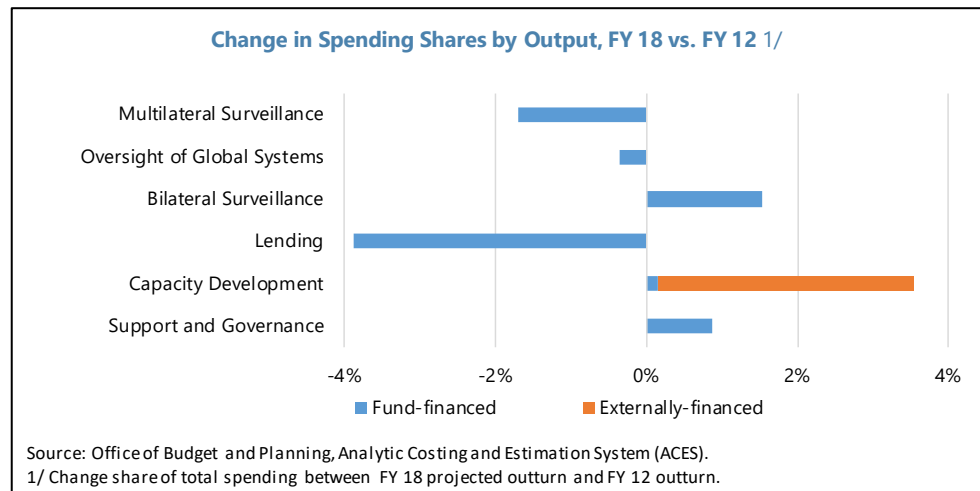
FY 19–21 MEDIUM-TERM BUDGET: OUTPUTS

This section discusses the proposed use of budget resources across the Fund’s five output areas, plus support and governance. The savings and demand requests submitted by departments included an output classification and are used to get an estimate of the net changes implied by the budget process, including the upfront allocation of transitional resources (Table 2).³

Overall Shift in Outputs

Longer-term output trends

There are two broad longer-term trends in the Fund’s output structure that can be observed since FY 12 (the last year with a real budget increase). Firstly, as the global financial crisis abated, Fund-financed spending has shifted from lending and multilateral surveillance towards bilateral surveillance. Capacity development’s share has grown strongly mainly due to a substantial increase in externally financed activity. Second, the share of spending on support and governance has grown reflecting corporate modernization efforts—such as better management of economic data, the creation of a Knowledge Management Unit, and an Office of Risk Management—and also pressures on physical and IT security. Resources dedicated to global oversight remained broadly stable.



Net shifts in the FY 19 budget

These broad trends continue in the FY 19 budget proposal with some minor reallocations (Table 2, columns (d) minus (e)). Fund-financed structural resources dedicated to multilateral surveillance and global oversight remain broadly constant, with a slight shift from the latter (-\$2½ million) to the former (+\$2½ million). This shift is the net result of reallocations from completed to new policy work and reviews, in line with the Board’s Work Program. Fund-

³ The discussion of resource use by output area is based on the Fund’s Analytic Costing and Estimation System (ACES). Typically, ACES data has been used to report the expenditure outturn and this is the first year an output-based “budget” has been constructed. The output numbers in this section are estimates of resource allocation and are not control totals. Appropriations will continue to be approved at an aggregate level based on input accounts.

financed country work—bilateral surveillance, lending and CD—falls slightly. Spending on bilateral surveillance falls as travel and work pressures abate in EUR and field presence is adjusted in WHD and AFR. Lending activity in AFR is projected to increase, somewhat offset by program work winding down in EUR. Some of the shift from bilateral surveillance back to lending expenditure was forecast for FY 18, but did not materialize (Appendix I). Externally financed CD is expected to grow further from the projected FY 18 outturn before leveling off over FY 19–21. Support and governance areas continue to experience structural pressures in areas such as security, risk management, and facilities maintenance.

Table 2. Gross Administrative Fund-Financed Resources: Estimated Allocation by Output, FY 18–19
 (Millions of FY 18 U.S. dollars)

	FY 18				FY 19				
	Structural	Transitional	Total	Est. Outturn	Structural Demands	Structural Savings	Structural 1/	Transitional	Total
	(a)	(b)	(c) = (a)+(b)		(d)	(e)	(f) = (a)+(d)-(e)	(g)	(h) = (f)+(g)
Gross Expenditures	1,143	24	1,167	1,132	22.8	23.4	1,148	18.9	1,167
Multilateral Surveillance	167	3.2	170	174	3.5	0.9	169	1.1	170
Oversight of Global Systems	88	0.4	89	90	8.0	10.4	86	2.2	88
Bilateral Surveillance	205	5.5	211	212	1.0	3.7	203	3.6	206
Lending	115	2.5	117	111	2.8	2.5	115	2.9	118
Capacity Development	138	1.8	140	138	1.3	0.8	139	1.1	140
Support and Governance	391	10.9	402	393	6.4	5.0	392	8.1	400
Miscellaneous 1/	28	...	28	15			34	...	34
Contingency	11	...	11	...			11	...	11
Receipts 2/	(39)	...	(39)	(37)	1.9	1.4	(39)	...	(39)
Net Expenditures	1,104		1,128	1,095	24.8	24.8	1,110		1,128
Carry forward			44						46
Allocated up-front in budget process 3/			24						19
Held at center			20						27
Total Resources 4/			1,148						1,155

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES). □

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

1/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated within the ACES model. The \$1,148 million includes \$6 million for the annual meetings, which are not part of the demands and savings exercise.

2/ Excludes externally-financed activities.

3/ Refers to carry-forward allocated to transitional needs: columns (b) and (g).

4/ Includes Net Expenditures (both structural and transitional) plus the Carry Forward remaining at the center.

Transitional resources

Carry forward resources are available to meet about \$19 million in temporary needs across most output areas. Almost 40 percent of the transitional resources are to ease continued pressures in support departments, in part due to continued high demand for their services, including additional costs for physical and IT security, multimedia, business continuity, as well as in support of non-recurring HR initiatives. Another quarter of transitional funds reflect intensified country work under surveillance and lending, and provide temporary assistance to allow a phasing in of the ongoing structural downsizing in EUR.

Some 15 percent of the transitional resources support the work on the Comprehensive Surveillance Review (CSR), trade, and modernization and transformation efforts, mainly under multilateral surveillance and global oversight.

Emerging challenges for analysis and policy work...

A recurring question in the budget process is the extent to which work on emerging challenges is crowding out other more traditional activities. For the FY 19 budget, net additional allocations to emerging challenges is around \$3–3.5 million or about 1/3 of one percent of the Fund’s net administrative budget. About half of this is for work related to technological change, mainly Cyber-Risk and FinTech. The other half is for a broad range of issues including corruption and governance activities, advice on international taxation issues led by FAD, work on inequality and macrostructural reforms. About half of the work in these areas is covered by transitional resources.

...are developed and incorporated into existing work.

Unsurprisingly, former pilot topics often become part of baseline work. For example, in FY 18 just over \$8 million was spent on specific pilots on gender, inequality, fiscal space, and macro-structural (Box 1). These pilots are in addition to work on climate change and energy, estimated in FY 17 at \$2½ million annually, existing resources dedicated to anti-corruption and governance, about \$1 million, and spending on migration issues, estimated at \$1.7 million in FY 17.

As emerging issues are incorporated into existing work, the pattern of resource use is often hump-shaped, with some start-up investments needed in the initial years, often covered by transitional resources, tapering off as expertise is accumulated and shared.

Savings versus reallocations

The budget proposal incorporates reallocation efforts within and across departments of close to 2½ percent of total spending (see departmental perspective on page 19, Table 3). Some departments identified reallocations of more than 10 percent, and, indeed, actual reallocations may be larger, as many departments netted out parts of their new demands against completed work and lower priorities. As departments shift resources continuously throughout the year, it is difficult to draw a clear distinction between reallocations and actual savings achieved. While most of the new structural needs are met by shifting resources from completed or deferred work to new priorities, about a quarter of the identified savings come from operational efficiencies, modernization and restructuring efforts, or the falling cost of inputs (e.g., not adjusting the travel budget by the non-personnel deflator). These efficiency gains help reduce gross spending and offset the loss of receipts from the HQ2 lease to the World Bank.

Box 1. Pilot Initiatives and Expanding Coverage

Four pilot initiatives are being considered to be extended across the membership in a selective, cost-effective, and phased manner, pending the stocktaking in the Interim Surveillance Review (ISR) and information on costing; fiscal space, gender, inequality, and macro-structural.¹ The estimated cost of the pilot initiatives in these four areas has been modest (around \$8 million per year).² The costs varied across topics, depending on the potential scope. For example, the fiscal space initiative was the least costly, reflecting the specific and more limited scope of the analysis. In contrast, the macro-structural initiative has been costlier, as the range of issues within this area is much broader. The estimates do not include the costs of work on these topics outside of the pilot cases. This seems particularly relevant for macro-structural issues, which the ISR finds is already covered in a large majority of staff reports.

Most of the work has been done within existing departmental resources. However, some additional resources were provided to area and functional departments to develop tools and cross-country analysis in support of country teams. Resources were also provided for the new macro-structural reforms unit in RES. Cumulatively through FY 18, \$2.4 million has been provided explicitly in the budget process, of which \$1 million in transitional resources. In FY 19, an additional \$0.3 million will be provided. The cost survey suggests that country teams have coped with the additional work by prioritizing the topics that they work on, drawing on external financing (around \$2 million, mostly on gender and macrostructural), and cooperating with experts from other institutions (mostly on inequality).

While it is difficult to determine precisely, the cost of expanding coverage is estimated to be modest, at \$3–4½ million per year. The lower estimate relative to the pilot cost reflects the effects of learning, as knowledge and capacity have been developed. Initial showcasing of pilots, usually requiring substantial resources, will not need to be repeated. In line with the objective to be selective and guided by macroeconomic criticality, the estimates assume 10–15 country cases on gender and inequality each year, and 60 cases on macro-structural. They also assume ongoing, but scaled down, analytical work, as well as costs for maintaining databases and knowledge sharing websites. On fiscal space, the cost estimate assumes 40–50 cases per year in steady state, though there will be some initial transition costs during the rollout phase when the pilot phase ends.

¹ The *macrofinancial pilot* was mainstreamed as of March 2017. The *pilot on climate and energy* will be concluded with traditional work on energy prices and subsidies continuing across the membership, and policy and analytical work continuing as part of multilateral surveillance. These pilots were therefore excluded from the costing exercise.

² The figures do not include pilot cases completed before FY 17 (mainly gender and inequality pilots initiated in 2015).

Estimated Spending on Selected Pilots (Millions of FY 18 U.S. dollars)

	FY17	FY18
Total	8.3	8.2
Gender	1.8	1.6
Inequality	2.1	1.8
Fiscal space	0.9	0.9
Macro-structural	3.5	3.9

Source: Pilot costing survey and staff estimates.

Budgetary Resources Provided for Pilot-related Topics (Millions of U.S. dollars)

	Cumulative through FY 18 of which:		Cumulative through FY 19 of which:	
	Total	Transitional	Total	Transitional
Total for four topics	2.4	1.0	2.7	0.7
Gender	0.2	-	0.3	-
Inequality/Inclusion	0.3	-	0.7	-
Fiscal space	0.2	-	0.2	-
Macro-structural	1.7	1.0	1.6	0.7

Source: Office of Budget and Planning.

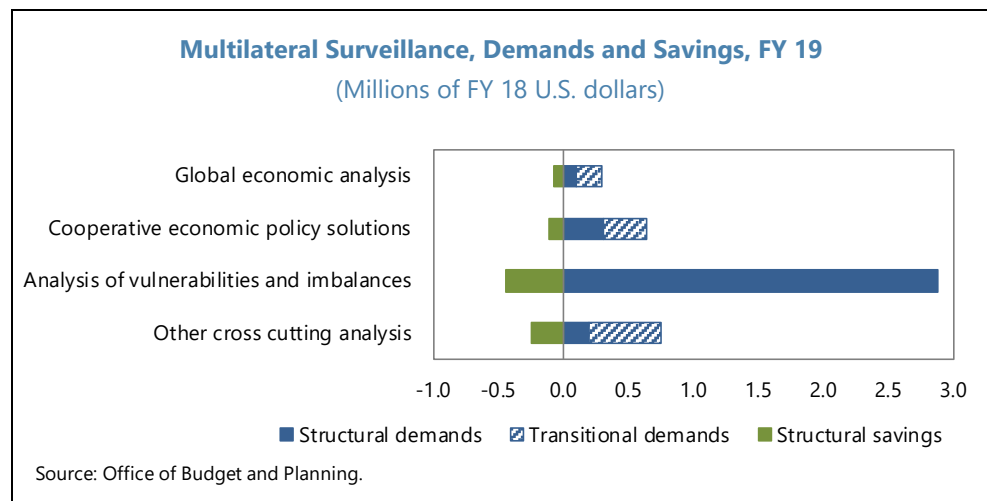
Estimated Costs to Expand Coverage (Millions of FY18 U.S. dollars)

	Steady-state
Total	3-4.5
Gender	0.3-0.4
Inequality	0.4-0.5
Fiscal space	0.5-0.6
Macro-structural	2-3

Source: OBP estimates.

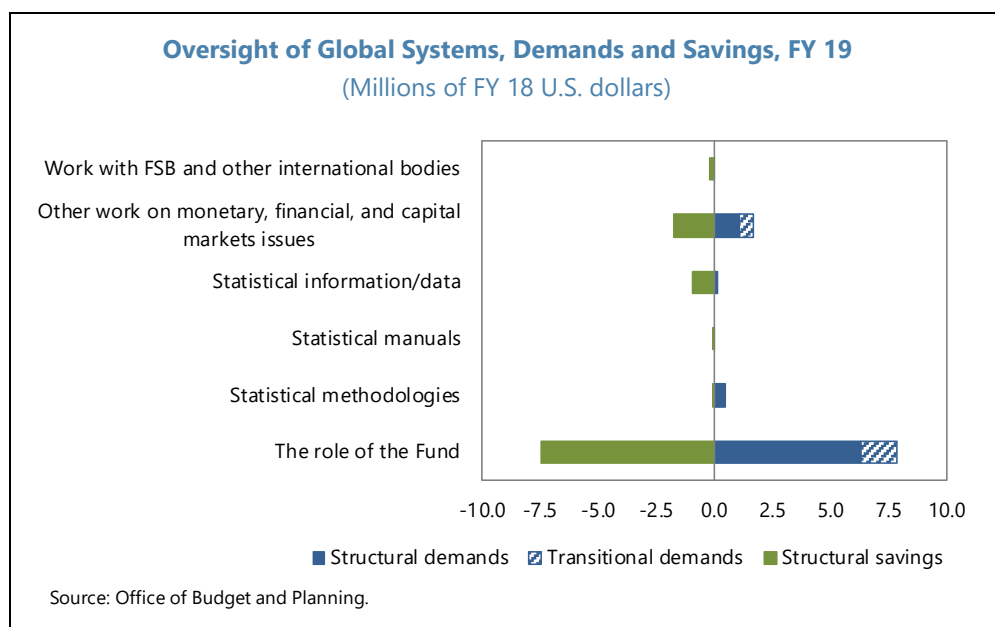
Multilateral Surveillance

Overview	<p>Much of the Fund’s effort to respond to new realities and changing institutional priorities comes under multilateral surveillance, where structural resources are expected to increase by \$2.6 million or about 1½ percent in real terms. While the needs of the IMF’s main flagship reports—the WEO and GFSR under “Global Economic Analysis” and the Fiscal Monitor—are expected to remain broadly stable, additional structural resources go to work coming from the Board Work Program and other priorities.</p>
Structural Demands	<p>Most of the new structural demands in FY 19 are to fund external assessments in countries not covered by the External Sector Report and EBA-lite work (\$1.1 million) and work on cyber-risk (\$0.9 million), which all fall under “Analysis of Vulnerabilities and Imbalances.”</p> <p>Additional structural resources will help deepen analysis of capital controls, under “Cooperative Economic Policy Solutions.”</p>
Transitional needs	<p>Carry-forward resources of around \$0.6 million will continue to cover the cost of the structural reforms unit that is gradually being absorbed by RES over a three-year period, under “Other cross cutting analysis.”</p> <p>Other transitional funds will cover an upgrade to G20 Macroeconomic Policy Assessment, management of the G20 database and the trade agenda, under “Cooperative Economic Policy Solutions.”</p>
Savings	<p>Savings come from completed items on the Board Work Program, such as the long-term uncertainties analysis, in particular in SPR, and from streamlining data subscriptions in RES.</p>



Oversight of Global Systems

Overview	Policy work under the global oversight category is also closely linked to the Work Program. Structural resources for global oversight are expected to decrease by \$2.5 million or about 3 percent in real terms. It should be noted that some of the large resource movements, especially under “Role of the Fund”, represent the changing work agenda of policy units in SPR and FIN rather than reallocations across departments. In STA, ongoing efforts to modernize operations require additional resources for new frontier issues (“Statistical methodologies”) which are fully financed by savings in information management (“Statistical information/data”).
Structural demands	In terms of the “Role of the Fund,” new resources will fund work on the Market Access Countries DSA framework (\$1.2 million), various cyclical reviews, such as the CSR (\$0.8 million), the Review of Conditionality (\$0.7 million), and work on debt (\$0.9 million). Under “Monetary, financial and capital market issues” about \$1 million goes to cover FinTech and technological change (including an SDN) and additional funding will also go to work on governance and anti-corruption.
Transitional needs	Carry forward funds are used to augment structural resources in the areas of governance and anti-corruption work, the CSR and the debt-restructuring framework. Transitional resources are also provided to cover the follow-up to the completed LIC Facilities Review.
Savings	The new structural demands are more than offset by resources freed up from completed policy work and reviews, such as the LIC debt sustainability framework (\$1 million), the LIC and other Facilities Review (\$1 million), Lending into Arrears (\$0.9 million), the interim CSR (\$0.7 million), the stock-take and Board update on macrostructural reforms (\$0.6 million), the SDR Board Paper (\$0.6 million) and capital flows and macroprudential frameworks (\$0.4 million).



Country Engagement: Bilateral Surveillance and Lending

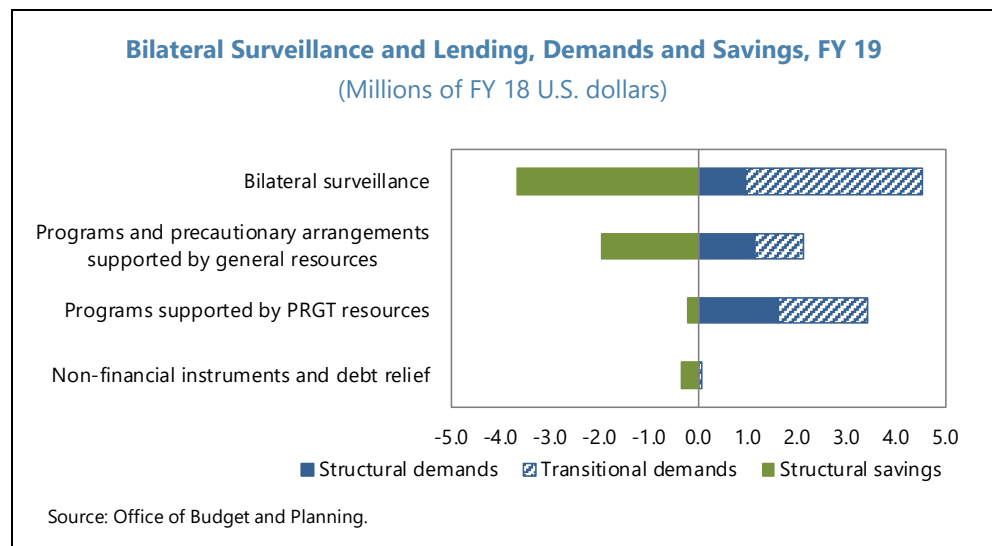
Overview Bilateral surveillance and lending activities can usefully be considered together under “country-work” as the resource shifts between the two output areas reflect changing country classification as well as proactive reallocation. Overall, there is a decline in structural resources for bilateral surveillance of \$2.7 million or about 1¼ percent in real terms, while lending is expected to be broadly flat. There is a structural shift from EUR to AFR reflecting the changing pattern of Fund-supported programs. These structural declines are offset by \$6.4 million in transitional funds for country engagement.

Structural demands The budget proposal anticipates more intense country engagement, mainly in AFR, with the provision of additional structural FTEs for program related work (\$1.6 million).

Savings Savings are expected from closing or downsizing a few resident representative offices in countries where there are no longer Fund-supported programs (\$1.5 million) and from travel savings due to both falling travel costs and less intensive travel needs in Europe (\$1 million).

Transitional needs On the surveillance front, carry-forward funds are used to build macro-financial expertise, support a Board paper on international taxation and cover the tail-end of systemic FSAPs falling due.

Transitional resources are also used to help departments transition to steady state staffing levels, mainly in EUR. Under lending, given the uncertainty around some prospective programs, transitional resources are provided for country desks and new field posts in AFR until the true structural need can be determined.



Capacity Development

CD Priorities

The priorities identified for CD over the next period are closely aligned with the GPA and the Addis Ababa Action Agenda (AAAA) set out at the conference on Financing for Development (FfD). The main priorities covering both Fund and externally financed CD are:

- Fragile states
- Addressing vulnerabilities identified in surveillance and program work
- Revenue mobilization and sound public financial management
- Financial market deepening for low-income countries
- Financial supervision and regulation, including Fintech and cyber risks implications
- Closing data gaps, improving data quality, and broadening dissemination
- Financial Integrity

Fund-financed CD

Net spending on Fund-financed CD activities should remain broadly stable. In gross terms, additional structural resources are proposed to fund the CD strategy review and fundraising activities in ICD (\$0.7 million). Savings come from a small reduction in spending on CD in non-program countries and efficiencies in the delivery of participants' courses. Transitional resources will cover Results Based Management implementation (\$0.6 million) and part of the Internal Economics Training Unit (\$0.5 million) as ICD reallocates resources to cover the unit on a permanent basis. In addition, there are increased receipts to the Fund-financed budget from the fee charged on externally financed CD activity, the Trust Fund Management Fee (TFMF).

Externally-financed CD

Externally financed CD is budgeted to increase from \$172 million in FY 18 to \$196 million in FY 19, in line with the operational targets set by the inter-departmental Committee for Capacity Building (CCB) and the medium-term financing scenario set in the FY 18–20 budget paper. In the currently envisaged steady state, total CD activities—both Fund and externally financed—would make up just over 30 percent of the Fund's outputs by 2020. The Fund does not plan to increase the level of CD activity substantially beyond that level. There are several inter-linked reasons to contain further growth, including the need to maintain synergies with other outputs (focus on core mandates) and ensure adequate quality control, the absorptive capacity of CD recipients, and the difficulties in funding growing indirect costs in a flat budget environment.

Cost-recovery reforms

A recent working group formed to look at cost recovery options concluded that the Fund's overall cost-recovery model remains broadly appropriate, including cost-sharing by the Fund. There are no changes needed to the TFMF (7 percent). At the same time, cost recovery practices should be updated to

align with advances in internal cost accounting and to limit the impact of increases in externally funded CD activities on the Fund’s own budget.

Two principal areas for reform were approved:

- Improved cost recovery through harmonization of charging practices (e.g. across RTACs and CD departments).
- Partial recovery of IT-related costs: upcoming cost accounting reforms to better manage IT demand across all IMF activities will provide costing for specific business services, including capacity development and end-user computing services which are consumed by staff working on projects. This will allow these costs to be attributed at the project level and be eligible for charging under the existing Framework for Selected Fund Activities (SFA). This reform will be tested in FY18–19 and communicated to stakeholders before becoming operational.

The additional cost recovery linked to these reforms has not yet been factored in, but is estimated at about \$2.5–3 million annually over the medium-term.

Gross Administrative Resources for CD: Estimated Allocation FY 18–19
(Millions of U.S. dollars)

	FY 18		FY 19
	Budget	Est. Outturn	Budget
Direct Spending on CD 1/	310.2	305.5	338.2
Fund-Financed CD 2/	138.3	138.5	141.9
Externally-Financed CD 3/	171.9	167.0	196.3
<i>Memorandum Items:</i>			
CD (plus indirect costs) as a share of total Fund output	29.7	29.7	31.0
Trust Fund Management Fee (receipts) 4/	12.0	11.7	13.7
Fund-Financed CD in FY 18 dollars	138.3	138.5	138.7
Estimated Indirect Cost of Externally Financed CD	15.5	15.0	17.7

Source: Office of Budget and Planning and CCB.

1/ Differs from ACES data in Appendix Tables 5a and 5b where some CD expenditures are classified as Miscellaneous and the totals include support and governance costs.

2/ Nominal structural budget (i.e. excluding transitional resources).

3/ Operational targets established by the CCB. Outturn is based on receipts.

4/ Covers administration of the sub-account and not indirect costs linked mainly to IT and facilities.

Support and Governance

Overview	Continued structural pressure is projected in FY 19 in support and governance, with many areas of work that require additional resources. In addition, as foreshadowed last year, the Fund will lose revenue from the expiring World Bank lease in HQ2. Net pressures, including the revenue loss, come to about 1 percent of support and governance costs in real terms.
Structural demands	Structural demands include costs to support the continued investment in information security, business continuity efforts and protective services.
Transitional needs	<p>In addition to the structural travel increase for Annual Meetings held abroad every three years, carry forward resources will fund costs associated with the Annual and Spring Meetings.</p> <p>Other temporary pressures include resources for the project to build a new HR platform and system, the full compensation and benefits review, interim support to maintain the core data management system used by country teams and RES until the replacement system is implemented, and temporary needs related to HQ1 renewal.</p> <p>ITD and CSF are developing demand management frameworks to bring transparency and awareness to the costs of services provided to departments. This effort will help prioritize and contain the demand for services in the period ahead.</p>
Savings	There are some offsetting savings, including from the migration of infrastructure and application support to managed services, and software consolidation under the TransformIT program.

Output Spending Shifts are Reflected in Departmental Budgets

Longer-term trends in departmental budgets	<p>In recent years, resources have been reallocated across departments to respond to changing needs and the output shifts discussed above. With the unwinding of the global financial crisis, Fund-financed resources have largely shifted from area to functional departments (SPR, RES, FIN, and COM). Resources in area departments' budgets also dropped in FY 17 due to a shift in the payment of overseas allowances to central accounts. CD departments have seen large increases in their budgets financed mainly by donors. After an initial reallocation away from support departments, recent spending pressures on physical and IT security, as well as economic data and knowledge management needs have contributed to some reallocation of resources back to support departments.</p>
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The expected shifts in outputs over FY 19 are reflected also in reallocations within and across departments (Table 3).

**Area
departments:
Less intensive
country
engagement**

In line with medium-term plans, **EUR**'s structural budget is reduced and transitional resources are provided until resident representatives' assignments end. **AFR** will receive additional resources to staff program teams, while generating savings from operational efficiencies and downsizing the field presence in one surveillance country. **APD**'s structural budget will remain unchanged but will be supplemented with transitional resources to support intensified country work. **MCD**'s structural budget reflects reduced operational costs of their field presence, but is more than offset by transitional funding for increased policy support and continued integration of emerging challenges into bilateral and regional surveillance. **WHD** will generate savings by closing a field post in a non-program country.

**Functional non-
CD departments:
Resources shift in
line with policy
and review work**

COM will receive transitional resources to work on impact analyses and the Annual Meetings in Indonesia. Within an unchanged structural budget, **FIN** will reallocate close to 14 percent of resources to new work related to the Global Financial Safety Net, Investment Activities, Risk Management activities, as well as SDR matters and the 15th Quota Review. **RES** will continue to receive transitional funding for the structural reforms unit while absorbing the costs over two years. **SPR** will shift resources from completed review work to new work endorsed in the Board work program and will receive transitional resources for mainstreaming external assessments for non-ESR countries, work on technology, and work to modernize and streamline SPR's internal project and workflow management.

**Functional CD
departments:
Structural flat
and transitional
plus \$4 million**

FAD will receive funding for work on international taxation issues. **ICD** will receive TFMF resources to work on CD evaluation and fundraising—as well as funding for internal training and results-based management, in part offset by efficiencies in the administration of training. **LEG** will receive funding to strengthen AML/CFT oversight and for work on governance and anti-corruption. **MCM** will accommodate work on emerging issues, such as cyber-risk, FinTech, through savings achieved from completed policy work, while transitional resources will be provided for FSAPs and to help build macro-financial expertise in area departments. Additional resources for work on new frontier issues, is more than offset by **STA**'s continued efforts to modernize its data management operation. Implications of the broader Fund Strategy on Data and Statistics will be incorporated once cost implications are fully known.

**Support depts.:
Transitional
resources
to cover critical
temporary needs**

CSF will be provided structural resources related to HQ security and transitional resource to cover additional security costs, business continuity, multimedia and building operations. **HRD** will continue to get transitional resources for oversight of the control framework for salaries; 1HR project management, and the full compensation and benefits review exercise. In **ITD**, TransformIT savings

will be reallocated to meet additional IT security needs and to support capital projects moving into the administrative budget. Transitional resources will mostly be provided for HQ1 renewal-related activities and additional support to critical economic data management systems. **SEC** will receive additional resources for increased Board engagement as well as costs associated with the Annual and Spring Meetings, currently covered in part by internal vacancies.

Table 3. Budget Adjustments by Departments, FY 18–19
(Millions of FY 18 U.S. dollars)

	FY 18 Approved Budget	FY 18 Transitional Funds 1/	FY 19 Proposed Adjustments			
			New Structural Needs	Structural Savings & Reallocations	Net Structural Increase (+)	Transitional Resources
Area	287.9	5.4	2.8	3.3	(0.5)	4.3
AFR	82.4	1.1	1.6	0.6	1.0	1.8
APD	42.2	0.6	0.6	0.6	-	0.9
EUR	67.2	1.0	0.1	0.9	(0.8)	0.9
MCD	50.4	1.7	0.4	0.7	(0.3)	0.7
WHD	45.7	1.2	-	0.5	(0.5)	-
Functional Non-CD	155.3	3.9	10.5	10.5	0.0	2.8
COM	36.9	0.1	-	-	-	0.2
FIN	33.9	0.7	4.6	4.6	(0.0)	0.5
RES	33.5	1.1	0.2	0.2	0.0	0.6
SPR	51.0	2.0	5.7	5.7	0.0	1.6
Functional CD	239.9	4.7	4.3	4.3	(0.0)	4.2
FAD	59.0	0.7	0.1	-	0.1	0.6
ICD	32.9	1.3	0.9	0.9	0.0	0.7
LEG	26.7	0.3	1.0	1.0	-	0.7
MCM	80.8	1.9	1.8	1.7	0.1	2.0
STA	40.5	0.5	0.5	0.7	(0.3)	0.1
Support	261.9	9.9	3.0	3.0	0.1	6.8
CSF	92.3	2.1	0.5	0.2	0.3	2.7
HRD	34.2	1.6	-	0.4	(0.4)	1.6
ITD	100.3	4.8	1.6	1.1	0.5	1.3
OBP	5.0	-	0.4	0.5	(0.1)	-
OIA	5.0	-	-	-	-	-
ORM	2.9	0.3	0.4	0.4	(0.0)	0.1
SEC	22.2	1.2	0.1	0.3	(0.2)	1.0
Total departments 2/	945.0	23.9	20.6	21.1	(0.5)	18.1
Small offices 3/	45.2	0.5	2.2	2.7	(0.5)	0.8
Total departments/offices	990.2	24.4	22.8	23.8	(0.9)	18.9
Center & Other	113.4	-	1.9	-	1.9	-
of which: HQ leases	-	-	1.9	-	1.9	-
Travel efficiencies				1.0	(1.0)	
Grand total	1,103.6	24.4	24.8	24.8	0.0	18.9

Source: Office of Budget and Planning.

1/ Ex-ante, in line with FY 18-20 Medium-Term Budget paper; actual transfers may vary.

2/ Includes offices with Accountability Framework discussions with Management.

3/ Includes the Offices of the Managing Director and Deputy Managing Directors, Investment Office, Innovation Lab, Knowledge Management, Office for Asia and the Pacific, Office in Europe, Overseas Training Offices, Economic Data Team, HQ1 Task Force, Mediator, Ethics Office, Office of Internal Investigation, Secretarial Support Group.

FY 19–21 MEDIUM-TERM BUDGET: INPUTS

Input Perspective

Broadly unchanged input structure

Consistent with the flat budget envelope, at the aggregate level, nominal input budgets grow in line with their respective deflators (Table 4). The exception is travel where the baseline is kept constant in nominal terms in anticipation of cost efficiencies and real increases are budgeted to accommodate the triennial Annual Meetings abroad.⁴

Transitional needs can be met with carry-forward funds

While the FY 18 approved structural budget is projected to be almost fully spent, central carry forward funds of about \$31 million (excluding the carry forward of OED and IEO) are expected to be available for short-term needs in FY 19. This will allow an upfront allocation to departments to meet identified short-term priorities of \$19 million.

Table 4. Administrative Budget Envelope, FY 18–19
(Millions of U.S. dollars)

	FY 18				Proposed FY 19		
	Approved Budget	Transitional demands	Available Resources	Est. Outturn	Approved Budget	Transitional demands	Available Resources
Total Gross	1,315		1,359	1,299	1,371		1,417
<i>Fund-financed</i>							
Gross administrative budget	1,143	24	1,167	1,132	1,175	19	1,194
Personnel	851	13	864	848	871	12	883
Travel	81	1	82	74	87	0	88
Buildings and other expenses	199	10	210	210	204	7	211
Contingency	11	...	11		12	...	12
Receipts	(39)	...	(39)	(37)	(40)		(40)
Net administrative budget	1,104		1,128	1,095	1,135		1,154
<i>of which Annual Meetings</i>					6		
Carry forward	44		20		46		27
Total net available resources	1,148		1,148		1,181		1,181
<i>Externally-financed</i>							
Gross administrative budget	172			167	196		
Personnel	117			113	123		
Travel	45			42	46		
Buildings and other expenses	10			12	10		
Unallocated					17		
Receipts	(172)			(167)	(196)		
Net administrative budget	(0)			(0)	(0)		

Source: Office of Budget and Planning.

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

⁴ See Appendix II for a summary of the Fund's budget evolution over the past years.

FTE Perspective by Department

Overview

The budget proposal entails a net reduction of one structural position and funding for 31 transitional positions (Table 5). This represents a reduction of nine transitional positions relative to FY 18, broadly equally spread amongst department types.

Table 5. FTE Changes by Department Type, FY 18–19
(Full-time equivalents (FTEs), excluding donor funding)

	FY 18	FY 19 Proposed		Transitional	
	Approved Structural	Structural Adjustments	Total	FY 18 1/ FY 19 Proposed	FY 19 Proposed
Area	786	(1)	785	15	12
AFR	215	5	220	4	5
APD	112	0	112	1	2
EUR	187	(1)	186	3	3
MCD	138	(4)	134	4	2
WHD	134	(1)	133	3	-
Functional Non-CD	500	1	501	11	6
COM	92	-	92	-	-
FIN	129	1	130	2	-
RES	110	-	110	3	2
SPR	169	(0)	169	6	4
Functional CD	717	-	717	13	10
FAD	161	-	161	1	1
ICD	122	2	124	4	2
LEG	82	(0)	82	1	2
MCM	218	0	218	6	5
STA	135	(2)	133	1	-
Support/Main Offices	511	(2)	509	1	3
CSF	162	(5)	157	-	-
ITD	151	2	153	-	-
HRD	92	(1)	91	1	3
SEC	65	2	67	-	0
OBP	16	0	16	-	-
OIA	16	-	16	-	-
ORM	10	-	10	-	-
Others	97	1	98	-	1
<i>of which:</i>			-		
OMD	24	1	25	-	-
INV	19	-	19	-	-
HQT	8	(1)	7	-	-
KMU	4	1	5	-	-
ILU	1	-	1		1
OED/IEO	256	-	256		-
IEO	15	-	15	-	-
OED	241	-	241	-	-
Total	2,868	(1)	2,867	40	31

Source: Office of Budget and Planning.

1/ Ex-ante, in line with the FY 18-20 Medium-Term Budget paper; actual transfers may vary.

Medium-term Perspective and Risk Preparedness

Medium-term structural pressure

Beyond FY 19, currently identified structural pressures appear manageable under the current budget envelope. The projected reduction in field presence creates additional structural space under bilateral surveillance in area departments, which helps cover the expected increase in economists working on program countries in AFR. Efficiency gains and reallocations will continue to be necessary going forward to help offset the remaining loss in revenue from the expiring HQ2 lease.

Transitional needs and carry-forward funds

As expected, the cost of current activities funded on a transitional basis should gradually decline, dropping to \$8 million in FY 20 and then \$5 million in FY 21. The more aggressive upfront use of the carry-forward increases the likelihood that actual spending may eventually exceed the approved budget, thereby reducing transitional resources in the subsequent year. In the absence of a budget increase, maintaining those activities would require additional savings measures or reallocations. That said, the transitional nature of the activities funded by the carry-forward would facilitate the required reduction of spending and staffing back towards the approved budget level through the normal process of attrition, provided the inputs funded are sufficiently fungible to be assigned to other work streams. The use of carry-forward funds needs to be requested and approved each year in the budget process, and will continue to be carefully monitored (Appendix III has more details on the carry-forward mechanism).

Risks to the budget remain moderate

On the one hand, the medium-term budget could come under pressure from a deteriorating global economy that increases the demand for Fund-supported programs or through increasing costs e.g., resolving an IT security breach or higher airfares (see Risk Preparedness Matrix). On the other hand, a period of relatively strong global growth could lead to reduced resource needs.

Risk mitigating measures are already underway

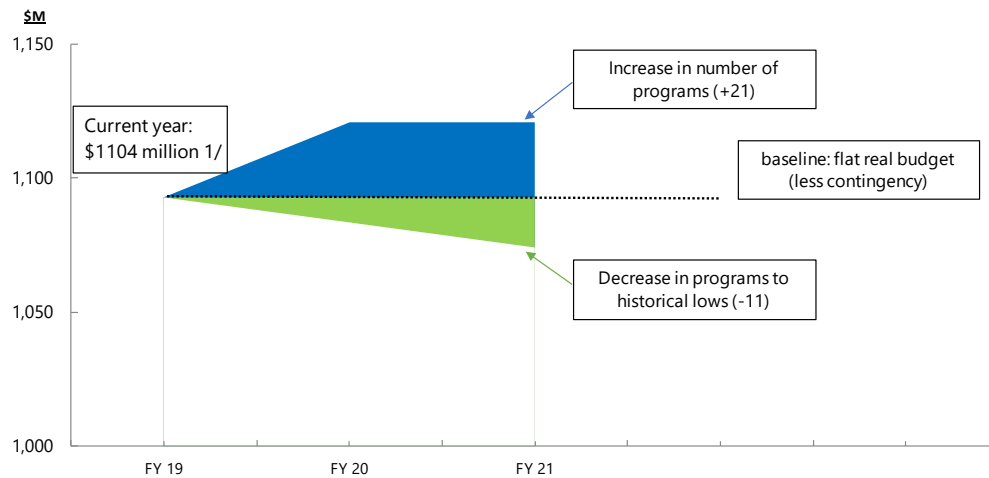
The work of the Office of Risk Management and the more proactive and advisory role of the Office of Internal Audit have helped improve the risk management culture in the Fund. The budget also seeks to promote and incorporate risk mitigating measures. For example, in addition to a \$8 million contingency (\$12 million including OED and IEO), departments identify projects or activities that could be postponed or scaled back in the event of an external shock. These contingency measures could be activated in an intense program scenario and would free up about 2 percent of resources. Carry-forward resources provide another line of defense. New mandates and initiatives are subject to costing and financing sources have to be identified as part of the decision-making process. The capital budget is investing in modernization of IT systems and improved information security.

Modernization could improve effectiveness over medium-term

The modernization ideas explored by the Advisory Group noted above would contribute to greater effectiveness and increased traction, while also mitigating risks by creating budget space over the medium-term. The recommendations cover a wide range of activities, including bilateral surveillance, multilateral surveillance, outreach, the GPA and the Board work program, CD, and technology and support services. In formulating its recommendations, the AG was cognizant of other initiatives (e.g., ISR, HR strategy, Overarching Data and Statistics Strategy) and sought to reinforce their work.

Exploratory estimates suggest that the AG’s proposals could create significant budgetary space over the medium term if implemented. As the AG’s principal aim was to identify ways to modernize the Fund, not all measures are expected to yield savings; in some cases, investment may be needed to achieve greater effectiveness. To the extent that savings materialize in FY 19, they can be used as buffers, and/or to meet unforeseen demands at the time of the budget approval. Beginning in FY 20, however, the budget formulation will explicitly consider any space created by the modernization effort. Staff will be undertaking further analysis to ascertain where the modernization scope is greatest.

Figure 3. Medium-term Risks to the Budget, FY 18–21
(Millions of FY 18 U.S. dollars)



Source: Office of Budget and Planning.
1/ Excludes cost of Annual Meetings in Indonesia.

Risk Preparedness Matrix			
Trigger	Vulnerability	Impact	Policy response
Economic crisis and increase in number of fund supported programs	Staffing is inadequate for new level of country engagement	Budget and work pressures increase to meet the needs of the membership. See Figure 3 for impact	First line of defense: reallocation and overtime; second line: use of contingency, which is sufficient for first year of crisis; third: increase funding
Drop in income due to economic stability and fewer programs	Resource pressures if investment income does not grow enough	Lack of sustainability under New Income Model. Reputational risk	Continuous efforts to reallocate and streamline
Some external financing for CD is discontinued unexpectedly	External financing is renewed periodically; rollover risk cannot be avoided	Pressures on CD delivery in short-term, difficulty prioritizing	Absorb costs in short-term through reallocation, adjust CD delivery over medium-term
Rapid expansion in externally financed CD activities	Systems, processes and staffing levels unprepared for volume increase	Reputational damage as quality control (backstopping and project management) suffers	Careful planning of external finance and alignment with Fund priorities in the CCB. Continue system and process modernization
Work program continues to expand	No areas identified as low priorities that can be reallocated	Overtime rises, quality suffers. Lack of traction and diffuse messaging. Inability to deliver WP in timely manner	Costing of new initiatives; greater effort to explicitly drop activities; contingency planning
Oil price rises lead to higher travel costs	Savings from earlier price decline were reallocated and cannot be shifted back quickly	Cost overruns on travel. Around \$2 million with unchanged travel patterns	Focus on most critical missions, improve travel planning. If needed, use contingency reserve in the short-term. Identify medium-term savings

FY 19–21 CAPITAL BUDGET PROPOSAL

The Capital Budget

FY 19 envelope broadly in line with FY 18–20 MTB

Modernization of building facilities and information technology (IT) will continue to require capital budget for critical and strategic medium-term investments. The \$71.4 million envelope proposed for FY 19 is broadly unchanged from the assumptions in the FY 18–20 Medium-Term Budget and is evenly split between facilities and IT. The projected amounts for the outer years are indicative at this stage, but anticipate that both facilities and IT will require more investment than indicated in the previous medium-term estimates (up to \$11 million more in FY 20). This includes estimates for HQ1 building system replacements and funding for ongoing IT system development that will be crucial for the broader modernization effort.

Facilities Capital

Half the FY 19 envelope for building facilities

Around half of the proposed FY 19 envelope for building facilities covers furniture and audio visual (AV) equipment for both HQ1 and HQ2 lifecycle replacements. While the total funding needs for these projects are unchanged, the timing of the investments have shifted to accommodate the HQ1 renewal schedule. The completion of the refresh of office furniture in HQ1 is expected in FY 21, and HQ2 should be completed by FY 23.

The remaining facilities capital funding covers necessary repairs, reconfiguration of offices to reflect organizational changes and moves, refitting the 9th floor of HQ2 at the end of the World Bank lease, and improvements intended to provide a more inviting, modern and innovative workplace, such as campus signage and way-finding. In FY 20–21, new needs are expected to include HQ1 and HQ2 visitor reception area improvements, and projects arising from HQ1 renewal work, such as façade and sidewalk cleaning, floor sealing, elevator cab finishes and systems upgrades, and renovation of the auditorium, which were not in the original scope of HQ1 Renewal.

A campus-wide facilities condition assessment is being conducted, as is done every three to five years by an outside party, to provide input into the long-term plan for facilities capital. It is anticipated that some HQ1 building systems that were not replaced as part of HQ1 Renewal will be identified as nearing or at end of life, with recommendations for replacement to start in FY 20 or FY 21. The assessment will provide information necessary to estimate the timing and cost of such replacements which could be in the range of \$12–17 million in the

medium-term and \$30–40 million over the longer term. The midpoint of these estimates is tentatively reflected in FY 21.⁵

Information Technology Capital

Bulk of IT capital supports modernization of critical systems

IT capital investment of about \$36 million is proposed for FY 19 and similar levels are expected to be needed over the medium-term. The principal focus is to modernize systems supporting management of human capital, capacity development, knowledge and economic data, while continuing to strengthen information security and identity and access management. About a quarter of the FY 19 IT budget will be used for typical infrastructure end-of-life (EOL) replacements such as computers, network servers and storage.

The proposed investments are depicted in Figure 4 by supported business capability. The portfolio totals \$44 million, which includes previously approved, but unallocated funds of \$8 million carried over from FY 18. Significant investments are proposed in the following areas, some of which were approved and began work in FY 18:

Knowledge and economic data management: Work will continue in FY 19 on implementation of a new document management system, other collaboration tools, and a new economic data management solution for use by country teams and functional departments.

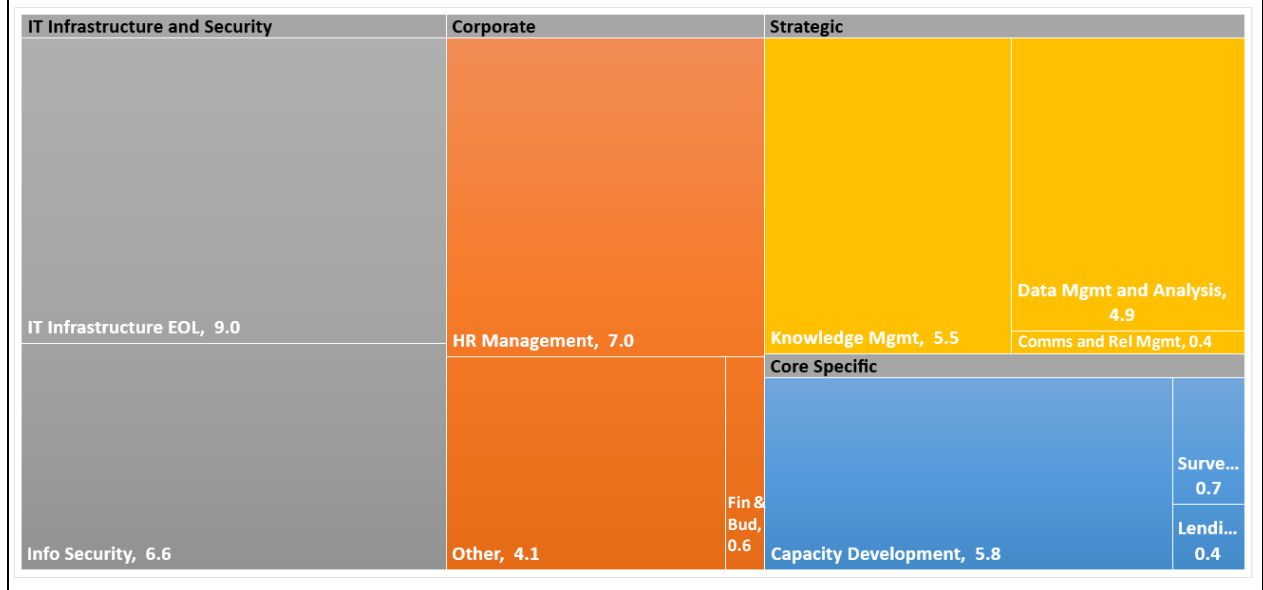
Capacity development: The systems used to manage CD activities have become inadequate to meet the growing needs in this area. The project will include redesign of processes and modernization of the planning, monitoring and reporting systems and procedures.

Human capital management (HCM): Replacement of the HCM system will move to the implementation phase in FY 19 after completion of a preliminary project to redesign and simplify business processes to facilitate migration to a cloud-based platform. Implementation of the multiple phases of this project—also referred to as 1HR—will take place over the next two years with an anticipated completion in 2020.

Information security: Protection of Fund information assets remains a high priority requiring continuous investment. The type and number of cyber threats constantly evolves and detection and prevention methods must keep up. Identity access management for staff and vendors is a key defense in protecting systems and information and the existing tools used to manage access are in critical need of replacement.

⁵ See Appendix IV, Financial Treatment of Capital Spending and Long-term Capital Investment Planning.

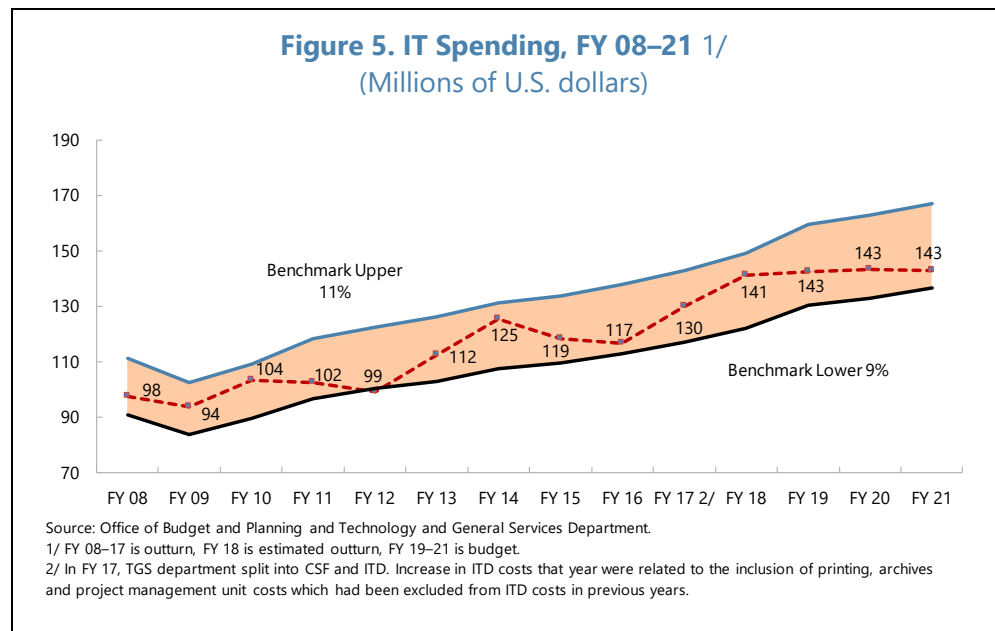
Figure 4. FY 19 IT Capital Projects by Business Capability



Total IT spending within benchmark ranges

The Fund’s total IT costs—capital and administrative—are projected to remain within the comparator benchmark of 9-11 percent of the total budget envelope (Figure 5).

Figure 5. IT Spending, FY 08–21 1/
(Millions of U.S. dollars)



The projected increase in FY 18 which pushes the cost toward the upper benchmark are related to infrastructure replacement and upfront investments under TransformIT that will yield recurring savings beginning in FY 19 and be phased in fully over a 5-year period. Costs may begin to shift between capital and administrative budgets as cloud platforms are increasingly adopted. Costs which were previously funded from capital could become recurring, or

administrative, in nature. The traditional large periodic capital investment for purchase or upgrading systems would be replaced by annual subscription and licensing fees, and certain infrastructure equipment purchases would be replaced by contracted services for cloud computing. Separately, capital investment decisions can also increase recurring administrative costs as the assets are placed in service and require support and maintenance. As part of the IT capital governance process, sponsors of capital projects are asked to identify efficiency gains or cost savings to offset any net new administrative costs that are expected once the new systems are placed in service.

Table 6. Medium-term Capital Budget, FY 18–21
(Millions of U.S. dollars)

	Approved	Proposed	Estimated	
	FY 18	FY 19	FY 20	FY 21
Total	66.4	71.4	70.5	84.6
Building Facilities	31.4	35.5	33.7	50.3
<i>Of which:</i>				
Furniture	7.0	10.6	5.3	16.5
Audio Visual	6.9	6.8	4.8	4.9
HQ1 Building Systems				14.5
Information Technology	35.0	35.9	36.8	34.3
<i>Of which:</i>				
Infrastructure end-of-life 1/	13.0	8.6	10.4	12.7

Sources: Office of Budget and Planning, and departments for Corporate, Services and Facilities, and Information Technology.

1/ Long-term plans for IT end-of-life are included in Appendix VI.

SUMMARY PROPOSAL FOR FY 19

Within the total administrative appropriation, separate appropriations and expenditure ceilings are proposed for the Offices of the Executive Directors (OED), the Independent Evaluation Office (IEO), and other administrative expenditure in the Fund. The capital budget is made up of two components: building facilities and information technology.

Table 7. Proposed Appropriations, FY 19
(Millions of U.S. dollars, unless otherwise noted)

	Other	OED	IEO	Total
Net administrative budget 1/	1,052.5	76.2	6.3	1,135.1
Receipts	234.7	1.3	-	236.0
FY 19 carry forward (upper limit)	30.7	14.5	0.3	45.6
Total gross expenditures (limit)	1,318.0	92.1	6.7	1,416.7
Capital budget for projects starting in FY 19				71.4
Information Technology				35.9
Building facilities				35.5
<i>Memorandum items:</i>				
FY 18 Net administrative budget	1,024.8	72.6	6.2	1,103.6
FY 18 Carry forward, upper limit (in percent)	3.0	20.0	5.0	n.a.

Source: Office of Budget and Planning.

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

1/ Includes an additional allocation for travel to the Annual Meetings in Indonesia.

Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision No. 1: Administrative Budget for the Fund, FY 2019

A. Appropriations for net administrative expenditures for Financial Year 2019 are approved in the total amount of US\$1,135.1 million, of which: (a) up to US\$76.2 million may be used for the administrative expenditures of the Offices of Executive Directors, (b) up to US\$6.3 million may be used for the administrative expenditures of the Independent Evaluation Office, and (c) up to US\$1,052.5 million may be used for the other administrative expenditures of the Fund.

B. In addition to the amounts for net administrative expenditures appropriated under paragraph A, amounts appropriated for net administrative expenditures for Financial Year 2018 that have not been spent by April 30, 2018 are authorized to be carried forward and used for administrative expenditures in Financial Year 2019 in a total amount of up to US\$45.6 million, with sub limits of (a) US\$14.5 million for the Offices of Executive Directors, (b) US\$0.3 million for the Independent Evaluation Office, and (c) US\$30.7 million for the other administrative expenditures of the Fund.

C. A limit on gross administrative expenditures in Financial Year 2019 is approved in the total amount of US\$1,416.7 million, with sub limits of (a) US\$92.1 million for the administrative expenditures of the Offices of Executive Directors, (b) US\$6.7 million for the administrative expenditures of the Independent Evaluation Office, and (c) US\$1,318.0 million for the other administrative expenditures of the Fund.

Decision No. 2: Capital Budgets for Projects Beginning in Financial Year 2019

Appropriations for capital projects beginning in Financial Year 2019 are approved in the total amount of US\$71.4 million and are applied to the following project categories:

- (i) Building Facilities: US\$35.5 million
- (ii) Information Technology: US\$35.9 million

Appendix I. Projected FY 18 Outturn

This appendix provides an overview of projected spending for FY 18 based on information available through end-December. It reports on spending estimates in both the key output areas as well as main budget categories. Also included is an overview of capital investments on buildings and information technology.

A. Spending by Outputs

1. **The FY 18 budget aimed at deeper engagement in several priority areas, as well as covered increased costs for corporate modernization.** The budget provisioned for more intensive country work, increased work on financial sector structural reform issues, Fund policies and emerging challenges, as well as funding for transforming IT and HR services, and enhanced risk mitigation and knowledge management. To meet new needs, the FY 18 budget incorporated offsetting savings and reallocation efforts of \$26 million as well as an upfront allocation of carry forward funds of \$24 million. Savings came from a variety of sources, including closure of field offices in countries with concluded programs, departmental efficiencies, as well as central savings, such as by not applying the deflator to the travel budget and from the revisions to the Fund’s Medical Benefits Plan, which resulted in reduced contributions. Combined, these measures allowed the structural budget to remain flat for the sixth year in a row (excluding a ½ percentage point security related increase in FY 17).

2. **Spending on outputs is expected to be broadly in line with plans, except for higher spending on multilateral and bilateral surveillance, offset by lower-than-anticipated spending on lending activities** (Table 1). Projections for FY 18, based on data from the Fund’s Analytic Costing and Estimation System (ACES) through end-December, suggest that spending will be close to planned amounts for all outputs other than multilateral and bilateral surveillance.¹ Additionally, spending on support and governance is slightly higher than anticipated, given continued pressures on corporate support services, including language services and information technology.

- *Work related to multilateral surveillance activities is expected to be higher than planned.* This mainly reflects increased work on EBA/ESR, capital flows, and trade, but also on flagship publications, such as GFSR and the Fiscal Monitor. Outreach activities are also higher than planned, mainly in support of the Voyage to Indonesia.
- *The reduction in lending activities has in part been complemented by an increase in bilateral surveillance.*² While the number of countries in non-financial arrangements and “near-program” status is broadly as anticipated, the number of financial programs is slightly lower. The substitution between lending and surveillance is most prominent in Europe and the Western Hemisphere region; in the African region, both program and bilateral surveillance work increased.

¹ See Statistical Appendix Tables 5a and 5b for a breakdown of spending estimates with support and governance allocated to final outputs.

² For output classification purposes, lending includes not only program-related work on countries with financial arrangements, but also work on non-financial programs (including PSIs and SMPs), post-program monitoring, and work on countries in “near-program” status, where a prospective program is being negotiated with the authorities.

On the other hand, in the Asia and Pacific region, work on bilateral surveillance fell, with resources shifting to work on lending and capacity development, as well as to regional work and outreach in support of the Voyage to Indonesia, as mentioned above.

Table 1. Gross Administrative Fund-Financed Resources: Allocation by Output, FY 16–18
(Millions of FY 18 U.S. dollars)

	FY 16 Outturn	FY 17 Outturn	FY 18	
			Estimated Resources	Projected Outturn
Total	1,127	1,137	1,143	1,132
Multilateral Surveillance	168	166	167	174
Oversight of Global Systems	84	86	88	90
Bilateral Surveillance	199	204	205	212
Lending	124	112	115	111
Capacity Development	136	136	138	138
Support and Governance	371	378	391	393
Miscellaneous 1/	29	27	28	15
Contingency	...	...	11	...
Reconciliation item 2/	17	27	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated to specific outputs within the ACES model.

2/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

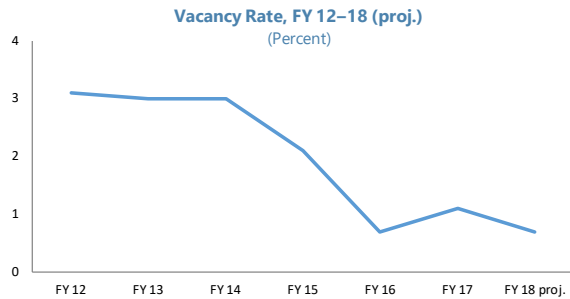
B. Spending by Inputs

3. **Budget execution is expected to be high at 99 percent, while workload indicators show continuous improvement** (Figure 1). Under a flat real budget since FY 12, budget utilization has steadily improved, helped in more recent years by a more aggressive upfront allocation of carry forward resources to departments. Better budget utilization has also contributed to a steady improvement in workload indicators—the Fund-wide average overtime rate has stabilized at about 11 percent and the median rate at about 7 percent. Pockets of higher overtime exist in a few departments, particularly among staff working on crisis countries and among senior staff, more generally.³

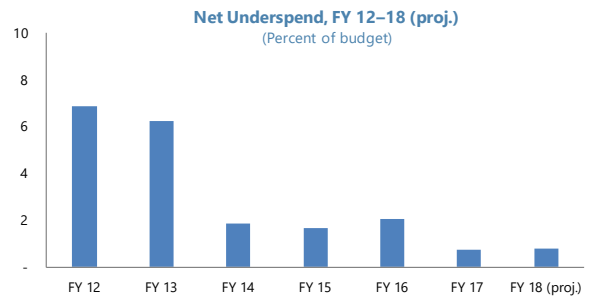
³ Overtime rates are much lower among support staff (A1–A8), the only group eligible for overtime compensation.

Figure 1. Budget and Workload Indicators

The average Fund-wide staff vacancy rate has continued to decline with the small uptick in FY 17 due to the lower-than-planned filling of additional staff positions created under the Categories of Employment reform—all were filled in FY 18. Budget utilization is high relative to the approved budget, but still lower relative to the total available resources, including carry-forward.

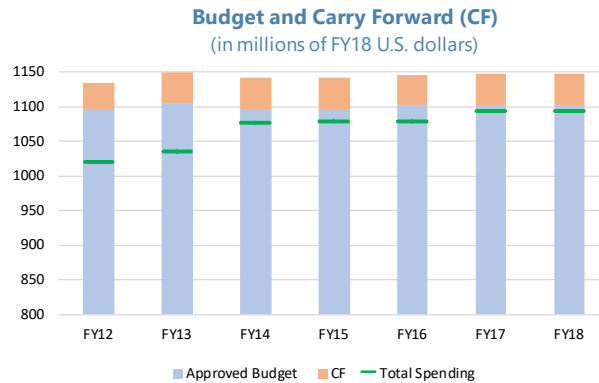


Note: Relative to approved Fund-financed positions.



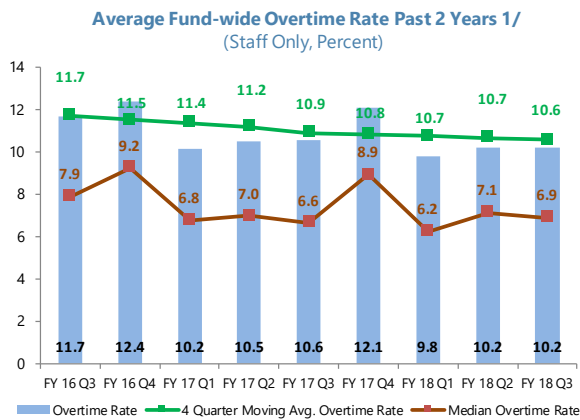
Note: Excludes additional contributions to the RSBIA in FY 12, FY 13, FY 16 and FY 17.

Carry forward funds, which add to the available resources, have provided flexibility to fund transitional needs, while keeping the budget flat. With spending remaining below the approved budget, the full carry forward has been available in the following financial year.

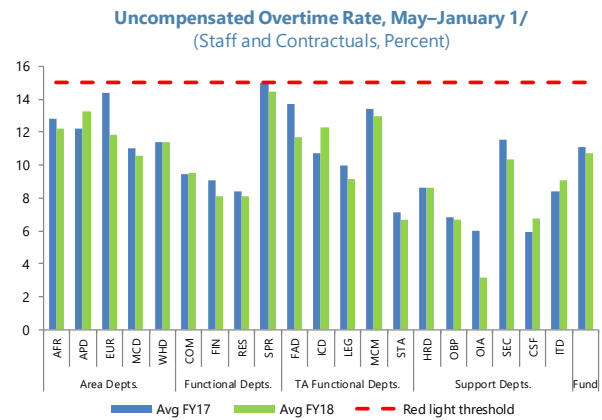


Note: Excludes additional contributions to the RSBIA in FY 12, FY 13, FY 16, and FY 17.

The Fund-wide average overtime rate has stabilized at less than 11 percent, with the median rate trending lower.



The average uncompensated overtime rates (A9-B5) are slightly lower than last year, with no department currently exceeding the 15 percent threshold



1/ Data excludes regional offices. Expressed as a percentage of actual hours worked (i.e. regular hours minus leave).

4. **The overall high utilization rate is likewise mirrored in the main spending categories and receipts** (Table 2). The contingency reserve and carry forward from the previous year are expected to be preserved on an aggregate basis. Spending pressures on building and other expense categories are offset by savings in personnel and travel expenses.⁴ Externally funded activities, symmetrically captured in receipts and expenses, are estimated to end the year just below planned levels. Details for each main budget category are presented below:

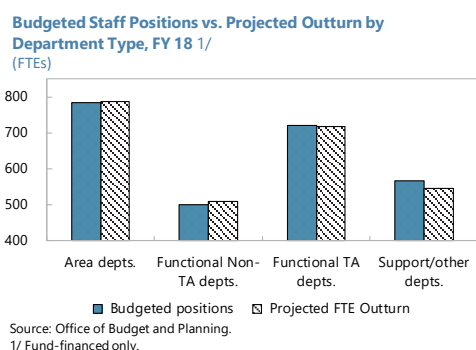
Table 2. Net Administrative Budget: Estimated Outturn, FY 17–18
(Millions of U.S. dollars)

	FY 17		FY 18					
	Budget	Outturn	Budget			Estimated Outturn		
	Total	Total	Fund-financed	Externally-funded	Total	Fund-financed	Externally-funded	Total
Gross expenditures	1,273	1,255	1,143	172	1,315	1,132	167	1,299
Personnel	934	922	851	117	969	848	113	961
Travel	123	115	81	45	126	74	42	116
Buildings and other expenses	205	218	199	10	209	210	12	222
Contingency 1/	11	...	11	...	11	...	...	...
Receipts	(200)	(189)	(39)	(172)	(211)	(37)	(167)	(204)
Net expenditures	1,072	1,066	1,104	0	1,104	1,095	0	1,095
<i>Memorandum items:</i>								
Carry forward from previous year	43		44		44	0		0
Total net available resources and spending	1,116		1,148		1,148	1,095		1,095

Sources: Office of Budget and Planning and PeopleSoft Financials.
 Note: Figures may not add to totals due to rounding.
 1/ Represents the contingencies for staff, OED and IEO.

C. Personnel

5. **The Fund-financed personnel budget is projected to be almost fully utilized.** The staff average vacancy rate is projected to end the year just below 1 percent, a further drop from the annual average rate of 1.1 percent in FY 17. Vacancy rates continue to vary by department type. Area and Functional Non-TA departments are projected to slightly exceed their approved FTEs (but remain within dollar allocations), while Functional TA and support departments are projected to end the year with room to hire.



6. **The actual average salary is expected to be lower than the budgeted average salary.** The actual average salary for staff on board at the end of the year is expected to be lower than budgeted at the beginning of the year. This development is consistent with past years’ experiences and is the result of turnover and its effect on grade structure

⁴ A more detailed breakdown of expenditures over the past years is presented in the Statistical Tables, Appendix V.

and average salary. Typically, during the year higher salaried staff are replaced with staff whose salaries are below the grade mid-points, which in turn causes the Fund-wide average salary to fall below the budgeted average. This erosion provides the room for merit pay that is capped at 1.9 percent of salaries.

D. Travel

7. **Travel expenses are expected to end the year below budget, with a slight rise in budget utilization to 91 percent.** While the volume of travel remained roughly constant, the cost per mile has risen from \$0.36 in FY 17 to \$0.38 in the first nine months of FY 18. This is attributable in large part to a higher proportion of trips to Africa, which tend to be higher priced compared to travel to some of the other regions. Other notable trends include a shift away from FSAP travel, which experienced its cyclical high in FY17, towards travel for Article IV consultations and other bilateral surveillance.

	FY 17		FY 18 Est.	
	Budget	Outturn	Budget	Outturn
Total	83	75	81	74
Business	67	59	65	59
Seminars/Participants	5	4	5	4
Settlement	9	9	9	8
Miscellaneous travel	2	3	2	2

Source: Office of Budget and Planning.

	FY 12	FY 13	FY 14 1/	FY 15	FY 16	FY 17	FY 18 2/
Average cost per mile 3/	0.41	0.39	0.41	0.39	0.37	0.36	0.38

Source: Corporate Services and Facilities Department.

1/ Costing methodology for cost-per-mile changed beginning with FY 14. Under the previous method cost per mile was 0.38.

2/ FY 18 Cost per mile is based on the first 9 months of data (May-Jan)

3/ Indicator is based on international travel only.

E. Buildings and Other Expenses

8. **Spending on buildings and other expenses is expected to be higher than the approved budget** (Table 3). Higher spending under building occupancy includes additional security costs for HQ guard services, the Annual and Spring Meetings, and other protective services at headquarters and in the field (Box), as well as additional expenses related to utilities and lease arrangements. In information technology, higher spending is mainly related to one-off additional costs as infrastructure support is transitioned to a managed services model, which is resulting in annual savings beginning with FY 19. In addition to continued high demand for corporate services, such as audio visual and language services, also work requiring expert consultancy, for example for specialized audits, has contributed to higher expenditures under contractual services.

	FY 17		FY 18	
	Budget	Outturn	Budget	Est Outturn
Total buildings and other expenses	205	218	209	222
<i>Fund-financed</i>	193	205	199	210
Building occupancy	56	61	60	63
Information technology	61	64	65	68
Contractual services	38	39	35	37
Subscriptions and printing	19	21	21	21
Communications	7	7	7	7
Supplies and equipment	6	6	4	7
Other	5	7	8	6
<i>Externally-financed</i>	11	13	10	12

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.

Box 1. Security

The Executive Board approved a budget increase of \$6 million in FY 17 to address rising physical and IT security costs. This amount, expressed in FY 16 dollars, was considered sufficient to cover security needs that had previously been met from transitional funds, as well as the projected increase in costs in FY 17.¹ This notwithstanding, security spending exceeded budget in FY 17 and is expected to be slightly over budget also in FY 18 (Text Table). Due to the one-off and cyclical nature of certain security costs (e.g., evacuations, equipment, country assessments), some uncertainty and variability in spending from year to year are to be expected.

Field security costs are projected to be below budget. The decline is due to fewer-than-anticipated purchases of armored vehicles, evacuations, and country assessments. This helped offset higher costs for executive protection for certain field offices, intelligence report subscriptions, and UN fees.

HQ security costs are projected to be above budget but in line with spending in FY 17. Contributing to the budget overrun are annual increases in the cost of the headquarters guard contract, higher overtime cost for executive protection, and increased security for the Annual and Spring Meetings.

Business continuity spending increased slightly due to an expansion of crisis preparedness exercises.

IT security spending covers staff, vendors and services supporting information security initiatives, such as staff awareness and training to guard against phishing attacks and other cyber threats, strengthening protection of the Fund’s most critical information assets and systems, increased monitoring and testing for vulnerabilities, and implementing best practices for the segregation of duties in IT support functions. Spending is projected to be slightly below budget in FY 18 due to TransformIT-related initiatives, but is expected to increase again in FY 19.

Capital expenditures aim at improving the Fund’s security posture, protecting information assets, and strengthening the physical protection of HQ buildings and occupants.

In the FY 19 budget discussions, departments continued to highlight pressures from security costs.

Reallocations were agreed to accommodate some of the new demands, including through greater prioritization of security spending itself, subject to the utmost importance of protecting the safety of Fund personnel, information and physical assets. The budget provides structural and transitional funds (\$2.6 million) for security, about half each for physical and IT. The resources will further strengthen IT security infrastructure and business continuity, and cover increased cost of HQ security guard services, executive protection, and Annual and Spring Meetings. Additional administrative and/or capital budget needs may materialize following an assessment by external consultants of security training and field security.

Security Related Spending, FY 16–18 (Millions of FY 18 dollars, unless otherwise indicated)					
	FY 16	FY 17		FY 18	
		Budget	Outturn	Budget	Revised Proj.
Administrative expenses	34.1	35.0	36.6	35.0	35.3
Field security	10.5	10.0	10.0	10.1	8.7
HQ security	14.7	15.5	16.1	14.5	16.3
Business continuity	0.7	0.6	0.9	0.9	1.1
IT security	8.2	8.9	9.6	9.5	9.1
In percent of administrative budget	2.6	2.7	2.8	2.7	2.7
Capital expenses	4.5	12.8	5.1	3.5	7.0
Information technology	4.4	3.5	4.3	3.5	6.1
Facilities	0.0	9.3	0.7		0.9

Sources: Office of Budget and Planning, Area, Technical Assistance, Corporate Services and Facilities and Information Technology departments.

¹ See [FY2017–2019 Medium-Term Budget](#), Box 3.

F. Receipts

9. Receipts from externally-financed capacity development activities and Fund-financed operations are expected to end the year slightly below budget

(Table 4). Although still below FY 18 planned levels, externally funded receipts are projected to increase by about 8 percent relative to FY 17. Improved execution is mainly due to an increase in delivery through Trust Funds and the use of additional long-term experts in the field. General receipts show a small shortfall in reimbursements from sharing agreements with the World Bank and lower-than-planned income from the Concordia.

	FY 17		FY 18	
	Budget	Outturn	Budget	Outturn Est.
Total	200	189	211	204
Externally-financed capacity development (direct cost only)	160	153	172	167
General receipts	40	35	39	37
<i>Of which:</i>				
Administrative and trust fund management fees 1/	11	11	12	12
Publications income	2	2	2	2
Fund-sponsored sharing agreements 2/	5	3	4	3
HQ2 lease 3/	4	5	4	4
Concordia	4	3	4	3
Parking	3	3	3	3

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.
1/ Trust fund management fee of 7 percent under the new financing instrument.
2/ Includes reimbursements principally provided by the World Bank for administrative services provided under sharing agreements.
3/ Includes lease of space to the World Bank, Credit Union and retail tenants.

G. Capital Investments

10. Overall, capital spending is expected to be similar to last year, but significantly larger for IT and Facilities projects (Table 5). The HQ1 Renewal program is on schedule with an estimated spending in FY 18 of \$64 million. It reflects the progress on upper floors. All public spaces are now open, office space through the 8th floor delivered and reoccupied, and construction well underway on the ninth through tenth floors. Updates on the status of the program are provided quarterly to the Executive Board and an

informal briefing was held in January. Spending on IT capital projects is estimated at \$35 million and will deliver preliminary work on the HR system replacement, critical data management, collaboration and knowledge sharing projects, the continued implementation of

information security improvements, and replacement of computers that have reached the end of useful life. Spending on building facilities, at around \$23 million, mainly reflects purchase of furniture for HQ1 and audio-visual replacement for the upper floors and upgrades to the aging equipment in HQ2. The large amount of funds available reflects previous appropriations mainly for furniture replacement and audio visual, which will be spent as HQ1 renewal reaches its completion over the next two years.

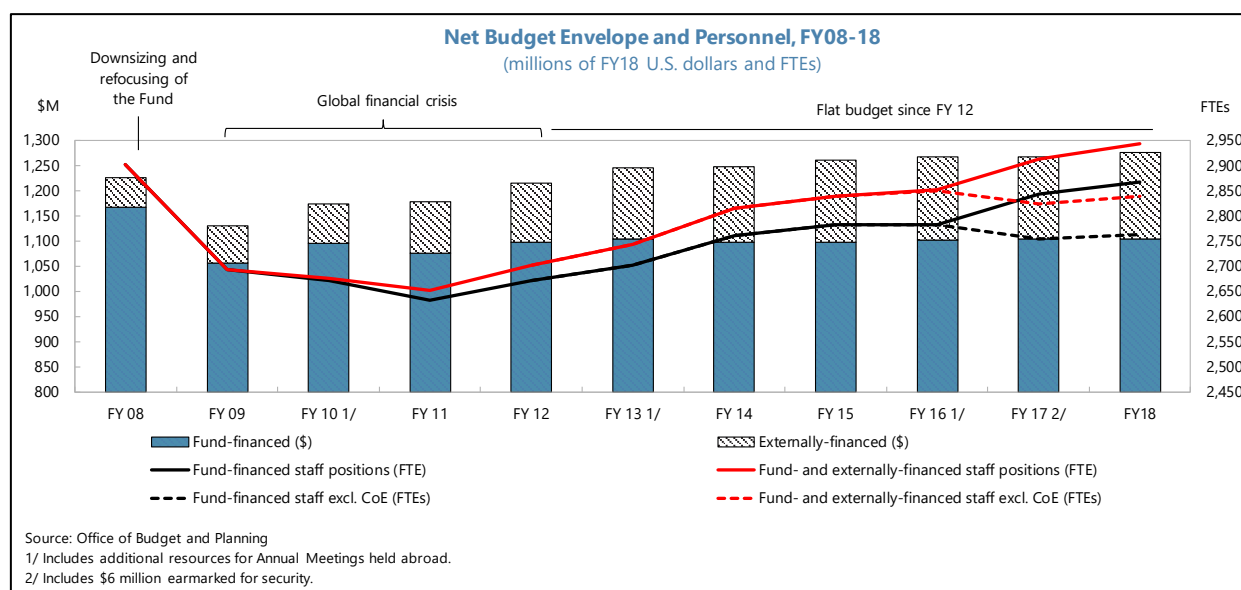
	Facilities	IT	Total Facilities and IT	HQ1 Renewal	Total Capital
FY 18 Budget Appropriations	31	35	66	-	66
+ Unspent FY 16 and FY 17 Funding	39	15	53	183	236
= Total funds available in FY 18 1/	70	50	120	183	303
Expenditures FY 18 (Est.)	23	35	58	64	121
Expenditures FY 17	18	28	46	76	122

Sources: Office of Budget and Planning and Corporate Services and Facilities Department.
1/ Approved capital funding is available for three consecutive years, except for HQ1 Renewal which is available until April 2025.

Appendix II. Budget Evolution

The size and shape of the Fund’s budget has changed considerably during the past decades.

1. **Overall budget trend.** In FY 08, the IMF embarked on a budget reduction of 13 percent following a period of low lending and income. Immediately thereafter, the onset of the global financial crisis led to a temporary budget allocation of 5 percent to meet crisis needs, which was followed by a 3 percent structural increase in FY 12 in recognition of the Fund’s enhanced role. As the institution’s activities shifted over time from crisis resolution to strengthened bilateral and multilateral surveillance, the temporary allocation was made permanent to meet evolving priorities and new demands. Since FY 12, the Fund has operated under a flat real budget, except for a small ½ percent increase in FY 17 to accommodate increased security costs. In real terms, close to 45 percent of the downsizing savings have been preserved, and the Fund’s budget envelope remains significantly below its pre-crisis level.



2. **Reallocation.** Even though the budget was flat in real terms between FY 12 and FY 16, over 100 additional staff positions were created from non-personnel savings achieved through a variety of measures, including adjustments in benefits, not applying a deflator to travel budgets, the release of central margins, and efficiencies in departments.¹ During this period, another 40 positions were funded by donors. The rise in budgeted FTE positions beginning with FY 16 mainly reflects the implementation of the Categories of Employment (CoE) reform, which at the end of FY 18 will have created an additional 120 staff positions for work that was previously done by contractual employees. In FY 16, the budget included a package of cross-cutting streamlining measures of about \$20 million to fund new demands, and in FY 17 the Board approved a small budget increase of \$6 million to accommodate rising security costs both at headquarters and in the field.

¹ The Board paper [FY2017–FY2019 Medium-Term Budget](#) provides additional details.

Appendix III. Key Budget Concepts and Deflator Methodology

Financial year (t): May 1(t-1) to April 30(t)

E.g., FY 18 = May 1, 2017 to April 30, 2018

Administrative budget:

Gross (total spending envelope)
 - (minus)
Receipts (donor funding + revenue)
 =
Net (spending that needs funding)

Total Available Resources = Net + Carry Forward

Carry forward:

The right to spend budget allocations beyond the period for which budgetary authority is normally granted (12 months). The amount that can be carried forward (CF) in any given financial year is capped at 3 percent of the net administrative budget for staff, 5 percent for IEO, and 20 percent for OED. The CF can be the minimum of the underspend in the current year or the specified ratio (i.e. $x = 3, 5, \text{ or } 20\%$) of the current year’s approved net administrative budget. Specifically:

$CF_t = \min (U_t, x B_t)$

Where:

- U_t = underspend in current FY ($B_t + CF_{t-1} - E_t$)
- B_t = net administrative budget in current FY
- CF_{t-1} = carry forward from previous FY
- E_t = net expenditures in current FY
- x = ratio limit of CF

Global external deflator:

Price index applied to administrative budget (formulated in real terms) to obtain nominal budget. It is calculated based on two components:

- Personnel component (70 percent)—Board approved structure adjustment for Fund salaries. It is determined exogenously as the outcome of the Fund’s rules-based compensation system endorsed by the Board.
- Non-personnel component (30 percent)—based on an index that reflects most closely the Fund’s non-staff related costs (travel, facilities, and IT). This is measured by the projected U.S. CPI in the most recently published World Economic Outlook (WEO).

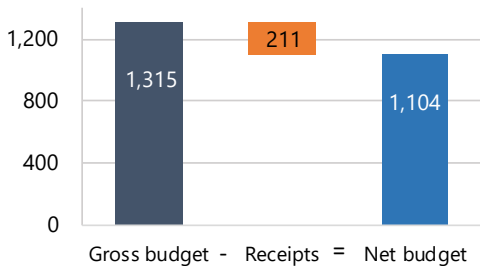
Capital budget:

Used to finance one-off investments in information technology and building improvements and repairs. Given the long-term nature of these projects, capital budgets are available for a period of three years, after which time unspent appropriations lapse.

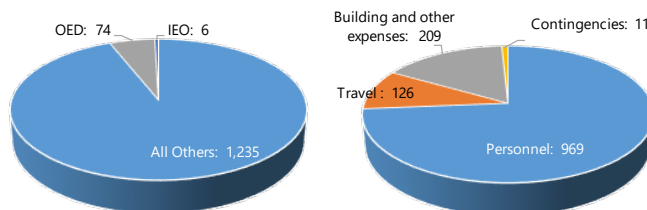
A project is included in the capital budget if it is for:

- the acquisition of building or IT equipment;
- construction, major renovation, or repairs;
- major IT software development or infrastructure projects.

FY 18 Administrative Budget (Millions USD)



Composition of Gross Spending, FY 18 (Millions USD)
 (Including donor-financed capacity development)



Appendix IV. Financial Treatment of Capital Spending and Long-term Capital Investment Planning

Financial Treatment of Capital

The impact of capital expenditures on the Fund's net income varies, depending on the nature of the investment. Some expenditures are reflected in the net income when the cost is incurred (i.e., expensed), while others are capitalized and recognized over the specified useful life (i.e., depreciated). Building facilities expenditures are spread over longer periods as they typically extend the life of physical assets while IT expenditures tend to have much shorter useful lives. Table 1 provides the financial treatment and impact on income of the capital investments proposed for FY 19.

Table 1. Financial Treatment of Capital Projects with FY19 Funding 1/
(Millions of U.S. dollars)

Asset Category	Period Over which Expenses are Recognized						Total
	When Spent	3 years	5 years	7 years	17 years	20 years	
FY19 Capital Appropriations	15.7	11.2	28.5	20.5	2.0	1.7	79.5
Building Facilities Projects 2/	10.5			20.5	2.0	1.7	34.6
Information Technology Projects	5.3	11.2	28.5			--	44.9 3/
Feasibility Studies/In-House Development	5.3	--	--	--	--	--	5.3
Hardware - Equipment	--	9.6	--	--	--	--	9.6
Software - Upgrades/Purchases	--	1.5	28.5	--	--	--	30.0

Sources: Finance Department and Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.

1/ The financial treatment of the proposed FY 19 budget envelope and when its impact on net income will be reflected is determined by International Financial Reporting Standards (IFRS). Projects are either expensed in the year of funds outlay or are capitalized over a period based on the type of project. Buildings are depreciated over the remaining useful life: 26 years for HQ1 (extended due to HQ1 Renewal), 24 years for Concordia; and 17 years for HQ2. Mechanical equipment is depreciated over 20 years, food equipment is depreciated over 15 years, Furniture and Audio Visual systems are depreciated over 7 years, equipment over 3 years, and software upgrades over 3 years. Software purchases or new software developments are depreciated over 5 years. Unallocated funds are assumed to be expensed.

2/ Building Facilities projects include the Audio Visual 5 Year Capital Investment Program which began in FY 14.

3/ Total cost of IT projects approved is higher than the FY 19 budget being submitted because of unallocated capital pools that carried over from FY 18. These unallocated pools would have been recognized "When Spent" in previous versions of this table.

Long-term Capital Investment Planning

The components of the capital budget that are related to lifecycle replacements are subject to a long-term planning exercise. These plans are reviewed and revised regularly based on new assessments, information and updated strategy.

- Budgeting for facilities capital investments is guided by a long-term plan for the replacement of equipment and critical building systems and major renovations.** This plan is informed by periodic, third party Facilities Condition Assessments of the physical assets and forms the baseline for the requested budget. Planned expenditures may increase, decrease or shift from year-to-year as updates are made. A conditions assessment for HQ1, HQ2 and Concordia is currently

underway and was not finished in time to inform or update the long-term plan for this paper. Previous assessments for HQ1 were done in 2008 and for HQ2 and Concordia in 2014. Given the length of time since HQ1 was assessed and the renewal activity that has occurred, the long-term plan will likely change significantly. There has already been an indication that significant HQ1 systems which were not in scope of the HQ1 Renewal project, nor included in previous Facilities long-term plans, will be needed over the FY 21–26 period. An updated Facilities long-term plan will be provided once the conditions assessment has been completed.

2. **IT infrastructure long-term planning is changing to reflect new industry trends.** End-of-life replacement assumptions for personal computers and laptops reflected cyclical patterns related to timing of upgrades to operating systems. With the transition to Office 365 this dependency has been eliminated and laptops and PCs can now be replaced on a rolling cycle, smoothing the investments, rather than reflecting a spike in spending every 3–4 years. This shift can be seen in the comparison of long-term plan versions in (Text Figure). At this stage, the long-term plan still assumes that our infrastructure will exist on-premise. This is however likely to change as systems shift from on-premise to cloud environments.

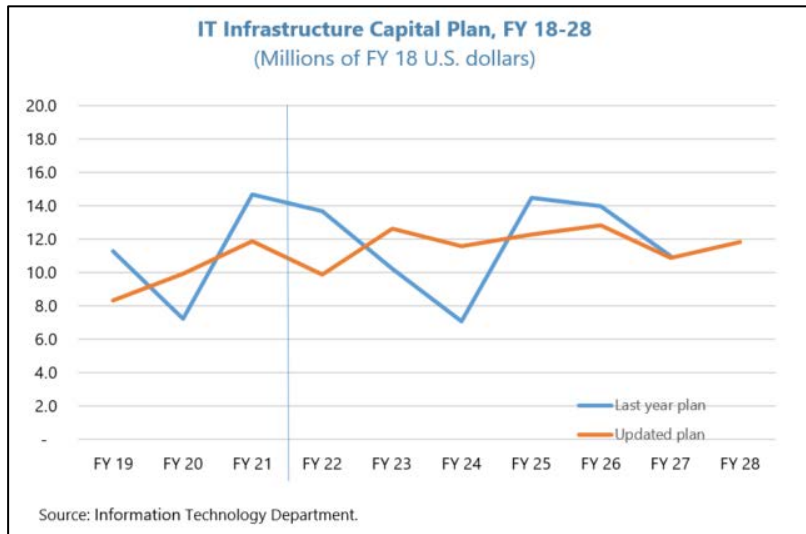


Table 1. Administrative Budget, FY 12–18

(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Personnel	820	799	835	802	861	829	896	862	907	896	934	922	969	961
Travel	112	105	125	119	123	117	128	112	130	120	123	115	126	116
Buildings and other expenses	181	178	181	180	190	203	193	204	200	199	205	218	209	222
Contingency 1/	11	0	18	0	12	0	7	0	10	0	11	0	11	0
Total Gross Expenditures	1,123	1,082	1,159	1,102	1,186	1,149	1,224	1,177	1,247	1,215	1,273	1,255	1,315	1,299
Less: Receipts	138	135	161	154	179	160	197	167	196	176	200	189	211	204
Total Net Expenditures	985	947	997	948	1,007	988	1,027	1,010	1,052	1,038	1,072	1,066	1,104	1,095
Memorandum item:														
<i>Carry Forward</i>	34		41		42		42		42		43		44	

Source: Office of Budget and Planning.

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

1/ Represents the contingencies for staff, OED and IEO.

Table 2. Gross Administrative Expenditures: Travel, FY 12–18
(Millions of U.S. dollars)

	FY 12		FY 13 1/		FY 14		FY 15		FY 16 1/		FY 17		FY 18	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn
Expenditures	112	105	125	119	123	117	128	112	130	120	123	115	126	116
Business travel	87	82	98	95	94	91	100	87	104	92	98	88	99	91
Transportation	87	48	98	54	94	52	100	48	104	50	98	49	99	50
Per diem	...	34	...	41	...	39	...	39	...	42	...	39	...	41
Seminars & other	14	11	16	13	18	14	17	15	15	17	14	15	15	15
Other travel	11	11	11	11	11	12	11	10	12	11	12	11	12	10

Source: Office of Budget and Planning.

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

1/ Includes travel to the Annual Meetings in Tokyo (\$6 million in FY 13) and Lima (\$5 million in FY 16).

Table 3. Gross Administrative Expenditures: Buildings and Other Expenditure, FY 12–18
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn
Buildings and other expenses	181	178	181	180	190	203	193	204	200	199	205	218	209	222
Building occupancy	57	56	58	57	58	62	60	61	59	60	59	65	63	67
Information technology	43	46	47	47	54	59	57	60	60	59	61	65	65	68
Subscriptions and printing	17	17	19	18	20	19	20	20	20	20	19	21	21	21
Communications	10	9	10	9	8	9	7	9	7	8	7	8	8	8
Supplies and equipment	8	9	7	8	9	8	6	7	8	6	6	6	4	7
Miscellaneous 1/	46	41	41	41	42	46	42	47	46	46	52	53	50	51

Source: Office of Budget and Planning.

1/ Mainly for contractual services, for example, translation and interpretation services, external audit, as well as other consulting services on business practices and processes.

Table 4. Gross Administrative Expenditures: Receipts, FY 12–18
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn
Receipts	138	135	161	154	179	160	197	167	196	176	200	189	211	204
Externally-financed	107	100	127	118	138	124	154	131	157	142	160	153	172	167
General receipts 1/	32	36	34	36	41	36	43	37	39	34	40	35	39	37

Source: Office of Budget and Planning.

1/ Includes Trust Fund Management Fees.

**Table 5a. Fund-financed Gross Administrative Spending Estimates
by Output (indirect costs allocated), FY 14–18 1/**

	Millions of FY 18 U.S. dollars						Percent of total					
	FY 14	FY 15	FY 16	FY 17	FY 18		FY 14	FY 15	FY 16	FY 17	FY 18	
					Estimated Resources	Projected Outturn					Estimated Resources	Projected Outturn
Total	1,119	1,121	1,127	1,137	1,143	1,132	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral surveillance	254	260	252	249	259	266	22.7	23.2	22.4	21.9	22.7	23.5
Global economic analysis	127	127	124	123	125	128	11.3	11.4	11.0	10.8	10.9	11.3
WEO	17	18	18	17	16	16	1.5	1.6	1.6	1.5	1.4	1.4
GFSR	15	16	15	15	16	17	1.3	1.4	1.4	1.3	1.4	1.5
General research	38	40	41	37	39	40	3.4	3.6	3.6	3.3	3.4	3.5
General outreach	57	53	50	54	54	56	5.1	4.8	4.4	4.8	4.7	4.9
Support and Inputs to Multilateral Forums and Consultations	23	23	23	22	21	22	2.1	2.0	2.1	2.0	1.9	1.9
Multilateral consultations	6	7	7	6	6	6	0.5	0.6	0.6	0.5	0.5	0.5
Support and Inputs to multilateral forums	17	16	17	16	16	16	1.5	1.4	1.5	1.4	1.4	1.4
Tools to prevent and resolve systemic crises	60	63	61	65	72	75	5.3	5.6	5.4	5.7	6.3	6.6
Analysis of vulnerabilities and imbalances	18	17	17	17	19	19	1.6	1.5	1.5	1.5	1.7	1.7
Other cross cutting analysis	38	42	40	43	48	49	3.4	3.8	3.6	3.8	4.2	4.3
Fiscal Monitor	4	3	4	5	6	6	0.3	0.3	0.3	0.4	0.5	0.5
Regional approaches to economic stability	44	47	44	39	41	42	3.9	4.2	3.9	3.5	3.6	3.7
REOs	17	18	21	18	18	18	1.5	1.6	1.8	1.6	1.5	1.6
Surveillance of regional bodies	14	13	10	8	8	8	1.2	1.1	0.9	0.7	0.7	0.7
Other regional projects	14	16	14	12	16	16	1.2	1.4	1.2	1.1	1.4	1.4
Oversight of global systems	127	131	127	132	136	138	11.4	11.6	11.3	11.6	11.9	12.2
Development of international financial architecture	37	41	37	41	39	40	3.3	3.6	3.3	3.6	3.5	3.5
Work with FSB and other international bodies	6	6	7	7	7	7	0.5	0.5	0.6	0.6	0.6	0.7
Other work on monetary, financial, and capital markets issues	31	35	31	34	32	32	2.8	3.1	2.7	3.0	2.8	2.9
Data transparency	41	39	36	37	43	44	3.7	3.4	3.2	3.3	3.8	3.8
Statistical information/data	29	28	28	30	35	35	2.6	2.5	2.5	2.6	3.0	3.1
Statistical manuals	4	4	3	2	2	2	0.4	0.3	0.2	0.2	0.2	0.2
Statistical methodologies	8	7	5	6	6	6	0.7	0.6	0.4	0.5	0.6	0.6
The role of the Fund	49	51	54	53	54	54	4.4	4.6	4.8	4.7	4.7	4.8
Development and review of Fund policies and facilities excl. PRGT and GRA	19	21	19	19	23	23	1.7	1.9	1.7	1.7	2.0	2.0
Development and review of Fund policies and facilities - PRGT	11	11	11	12	11	11	1.0	1.0	1.0	1.1	0.9	1.0
Development and review of Fund policies and facilities - GRA	10	6	8	9	9	9	0.9	0.6	0.7	0.8	0.8	0.8
Quota and voice	6	6	7	6	8	8	0.5	0.5	0.6	0.5	0.7	0.7
SDR issues	3	7	9	7	4	4	0.3	0.6	0.8	0.7	0.3	0.4
Bilateral surveillance	295	293	304	317	319	326	26.4	26.2	27.0	27.9	27.9	28.8
Assessment of economic policies and risks	260	261	268	270	279	285	23.2	23.2	23.8	23.7	24.4	25.2
Article IV consultations	198	191	199	200	210	215	17.7	17.0	17.7	17.5	18.4	19.0
Other bilateral surveillance	62	70	69	70	69	71	5.5	6.2	6.1	6.2	6.1	6.3
Financial soundness evaluations - FSAPs/OFCs	26	22	26	38	31	32	2.3	2.0	2.3	3.3	2.7	2.8
Standards and Codes evaluations	10	11	10	10	9	9	0.9	0.9	0.9	0.8	0.8	0.8
ROSCs	3	3	2	2	1	1	0.3	0.3	0.1	0.2	0.1	0.1
AML/CFT	1	2	2	2	2	2	0.1	0.2	0.2	0.1	0.2	0.2
GDDS/SDDS	5	5	7	6	6	6	0.5	0.5	0.6	0.5	0.5	0.5
Lending (incl. non-financial instruments)	189	186	185	171	172	168	16.9	16.6	16.4	15.0	15.0	14.9
Arrangements supported by Fund resources	149	142	141	139	150	147	13.3	12.7	12.5	12.3	13.1	12.9
Programs and precautionary arrangements supported by general resources	83	79	80	73	73	72	7.5	7.1	7.1	6.4	6.4	6.3
Programs supported by PRGT resources	66	63	61	66	76	75	5.9	5.6	5.4	5.8	6.7	6.6
Non-financial instruments and debt relief 2/	40	44	44	31	22	22	3.6	3.9	3.9	2.8	2.0	1.9
Capacity development	202	202	212	213	218	219	18.0	18.0	18.8	18.8	19.1	19.3
Technical assistance	156	158	165	167	174	174	13.9	14.1	14.6	14.7	15.2	15.4
Training	46	44	47	46	44	44	4.1	3.9	4.2	4.1	3.9	3.9
Miscellaneous 3/	36	36	29	27	28	15	3.2	3.2	2.6	2.4	2.4	1.3
Contingency	...	...	...	...	11	...	...	...	...	...	1.0	...
Reconciliation item 4/	16	13	17	27	...	...	1.4	1.1	1.5	2.4	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are allocated to outputs.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

**Table 5b. Total Gross Administrative Spending Estimates
by Output (indirect costs allocated), FY 14–18 1/**

	Millions of FY 18 U.S. dollars						Percent of total					
	FY 14	FY 15	FY 16	FY 17	FY 18		FY 14	FY 15	FY 16	FY 17	FY 18	
					Estimated Resources	Projected Outturn					Estimated Resources	Projected Outturn
Total	1,252	1,258	1,274	1,291	1,315	1,299	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral surveillance	254	260	252	249	259	266	20.3	20.7	19.8	19.3	19.7	20.5
Global economic analysis	127	127	124	123	125	128	10.1	10.1	9.7	9.5	9.5	9.9
WEO	17	18	18	17	16	16	1.3	1.4	1.4	1.3	1.2	1.3
GFSR	15	16	15	15	16	17	1.2	1.2	1.2	1.2	1.2	1.3
General research	38	40	41	37	39	40	3.1	3.2	3.2	2.9	2.9	3.1
General outreach	57	53	50	54	54	56	4.5	4.3	3.9	4.2	4.1	4.3
Support and Inputs to Multilateral Forums and Consultations	23	23	23	22	21	22	1.8	1.8	1.8	1.7	1.6	1.7
Multilateral consultations	6	7	7	6	6	6	0.5	0.5	0.5	0.5	0.4	0.5
Support and Inputs to multilateral forums	17	16	17	16	16	16	1.4	1.3	1.3	1.3	1.2	1.2
Tools to prevent and resolve systemic crises	60	63	61	65	72	75	4.8	5.0	4.8	5.0	5.5	5.7
Analysis of vulnerabilities and imbalances	18	17	17	17	19	19	1.4	1.4	1.3	1.3	1.4	1.5
Other cross cutting analysis	38	42	40	43	48	49	3.0	3.4	3.2	3.3	3.6	3.8
Fiscal Monitor	4	3	4	5	6	6	0.3	0.3	0.3	0.4	0.4	0.5
Regional approaches to economic stability	44	47	44	39	41	42	3.5	3.7	3.5	3.0	3.1	3.2
REOs	17	18	21	18	18	18	1.3	1.5	1.6	1.4	1.3	1.4
Surveillance of regional bodies	14	13	10	8	8	8	1.1	1.0	0.8	0.7	0.6	0.6
Other regional projects	14	16	14	12	16	16	1.1	1.3	1.1	1.0	1.2	1.2
Oversight of global systems	128	131	127	132	136	138	10.2	10.4	10.0	10.2	10.4	10.6
Development of international financial architecture	38	41	37	41	39	40	3.0	3.3	2.9	3.2	3.0	3.1
Work with FSB and other international bodies	6	6	7	7	7	7	0.5	0.5	0.5	0.6	0.6	0.6
Other work on monetary, financial, and capital markets issues	32	35	31	34	32	32	2.5	2.8	2.4	2.6	2.4	2.5
Data transparency	41	39	36	37	43	44	3.3	3.1	2.8	2.9	3.3	3.4
Statistical information/data	29	28	28	30	35	35	2.3	2.2	2.2	2.3	2.6	2.7
Statistical manuals	4	4	3	2	2	2	0.3	0.3	0.2	0.2	0.2	0.2
Statistical methodologies	8	7	5	6	6	6	0.6	0.5	0.4	0.4	0.5	0.5
The role of the Fund	49	51	54	54	54	54	3.9	4.1	4.3	4.1	4.1	4.2
Development and review of Fund policies and facilities excl. PRGT and GRA	19	21	19	19	23	23	1.5	1.7	1.5	1.5	1.7	1.8
Development and review of Fund policies and facilities - PRGT	11	11	11	12	11	11	0.9	0.9	0.8	0.9	0.8	0.8
Development and review of Fund policies and facilities - GRA	10	6	8	9	9	9	0.8	0.5	0.6	0.7	0.7	0.7
Quota and voice	6	6	7	6	8	8	0.5	0.5	0.6	0.4	0.6	0.6
SDR issues	3	7	9	7	4	4	0.3	0.6	0.7	0.6	0.3	0.3
Bilateral surveillance	295	293	304	317	319	326	23.6	23.3	23.9	24.6	24.2	25.1
Assessment of economic policies and risks	260	261	268	270	279	285	20.8	20.7	21.1	20.9	21.2	22.0
Article IV consultations	198	191	199	200	210	215	15.8	15.2	15.6	15.5	16.0	16.5
Other bilateral surveillance	62	70	69	70	69	71	4.9	5.6	5.4	5.4	5.3	5.5
Financial soundness evaluations - FSAPs/OFCs	26	22	26	38	31	32	2.0	1.8	2.1	2.9	2.3	2.4
Standards and Codes evaluations	10	11	10	10	9	9	0.8	0.8	0.8	0.7	0.7	0.7
ROSCs	3	3	2	2	1	1	0.3	0.2	0.1	0.2	0.1	0.1
AML/CFT	1	2	2	2	2	2	0.1	0.2	0.1	0.1	0.2	0.2
GDDS/SDDS	5	5	7	6	6	6	0.4	0.4	0.5	0.5	0.4	0.4
Lending (incl. non-financial instruments)	189	186	185	171	172	168	15.1	14.8	14.5	13.2	13.1	13.0
Arrangements supported by Fund resources	149	142	141	139	150	147	11.9	11.3	11.1	10.8	11.4	11.3
Programs and precautionary arrangements supported by general resources	83	79	80	73	73	72	6.7	6.3	6.3	5.7	5.6	5.5
Programs supported by PRGT resources	66	63	61	66	76	75	5.2	5.0	4.8	5.1	5.8	5.8
Non-financial instruments and debt relief 2/	40	44	44	31	22	22	3.2	3.5	3.4	2.4	1.7	1.7
Capacity development	329	332	348	355	390	385	26.3	26.4	27.3	27.5	29.7	29.7
Technical assistance	271	277	291	296	318	315	21.7	22.0	22.8	23.0	24.2	24.2
Training	57	55	57	58	72	71	4.6	4.4	4.5	4.5	5.4	5.5
Miscellaneous 3/	45	47	43	47	28	15	3.6	3.8	3.4	3.6	2.1	1.2
Contingency	...	...	...	...	11	...	...	...	...	...	0.8	...
Reconciliation item 4/	13	9	14	20	...	...	1.0	0.7	1.1	1.5	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are allocated to outputs.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Post Catastrophe Debt Relief (PCDR), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

**Table 5c. Fund-financed Gross Administrative Spending Estimates
by Output (direct costs), FY 14–18 1/**

	Millions of FY 18 U.S. dollars						Percent of total					
	FY 14	FY 15	FY 16	FY 17	FY 18		FY 14	FY 15	FY 16	FY 17	FY 18	
					Estimated Resources	Projected Outturn					Estimated Resources	Projected Outturn
Total	1,119	1,121	1,127	1,137	1,143	1,132	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral surveillance	168	173	168	166	167	174	15.0	15.4	14.9	14.6	14.6	15.3
Global economic analysis	86	87	85	85	80	84	7.7	7.8	7.6	7.5	7.0	7.4
WEO	10	11	11	11	10	11	0.9	1.0	1.0	0.9	0.9	0.9
GFSR	9	10	9	9	10	11	0.8	0.9	0.8	0.8	0.9	1.0
General research	24	25	25	23	25	26	2.1	2.2	2.3	2.0	2.2	2.3
General outreach	43	42	39	42	35	36	3.9	3.7	3.5	3.7	3.0	3.2
Support and Inputs to Multilateral Forums and Consultations	15	15	15	14	14	14	1.3	1.3	1.3	1.3	1.2	1.3
Multilateral consultations	4	4	4	4	4	4	0.3	0.4	0.4	0.3	0.3	0.3
Support and Inputs to multilateral forums	11	11	11	11	10	10	1.0	0.9	0.9	0.9	0.9	0.9
Tools to prevent and resolve systemic crises	37	40	38	41	47	49	3.3	3.5	3.4	3.6	4.1	4.3
Analysis of vulnerabilities and imbalances	11	11	10	11	12	13	1.0	0.9	0.9	0.9	1.1	1.1
Other cross cutting analysis	24	27	26	27	31	32	2.2	2.4	2.3	2.4	2.7	2.8
Fiscal Monitor	2	2	2	3	4	4	0.2	0.2	0.2	0.2	0.3	0.3
Regional approaches to economic stability	29	31	29	25	26	27	2.6	2.8	2.6	2.2	2.3	2.4
REOs	11	12	14	12	11	12	1.0	1.1	1.2	1.1	1.0	1.0
Surveillance of regional bodies	9	8	7	5	5	5	0.8	0.8	0.6	0.5	0.4	0.4
Other regional projects	9	11	9	8	10	10	0.8	1.0	0.8	0.7	0.9	0.9
Oversight of global systems	84	86	84	86	88	90	7.5	7.7	7.5	7.6	7.7	7.9
Development of international financial architecture	24	26	24	26	26	26	2.2	2.4	2.1	2.3	2.2	2.3
Work with FSB and other international bodies	4	4	4	5	5	5	0.4	0.4	0.4	0.4	0.4	0.4
Other work on monetary, financial, and capital markets issues	20	22	19	21	21	21	1.8	2.0	1.7	1.9	1.8	1.9
Data transparency	26	24	22	24	28	28	2.3	2.2	2.0	2.1	2.5	2.5
Statistical information/data	19	18	18	19	23	23	1.7	1.6	1.6	1.7	2.0	2.0
Statistical manuals	2	2	2	1	1	1	0.2	0.2	0.1	0.1	0.1	0.1
Statistical methodologies	5	4	3	3	4	4	0.5	0.4	0.3	0.3	0.4	0.4
The role of the Fund	34	35	38	36	35	35	3.0	3.2	3.3	3.2	3.0	3.1
Development and review of Fund policies and facilities excl. PRGT and GRA	13	15	14	13	15	15	1.2	1.3	1.2	1.2	1.3	1.3
Development and review of Fund policies and facilities - PRGT	7	7	7	8	7	7	0.7	0.6	0.6	0.7	0.6	0.6
Development and review of Fund policies and facilities - GRA	7	4	6	6	6	6	0.6	0.4	0.5	0.5	0.5	0.5
Quota and voice	4	4	5	4	5	5	0.4	0.4	0.5	0.4	0.4	0.4
SDR issues	2	5	6	5	3	3	0.2	0.4	0.6	0.5	0.2	0.2
Bilateral surveillance	193	193	199	204	205	212	17.3	17.2	17.6	18.0	18.0	18.7
Assessment of economic policies and risks	171	172	176	175	180	186	15.3	15.4	15.6	15.4	15.7	16.4
Article IV consultations	131	126	131	128	135	140	11.7	11.3	11.6	11.3	11.8	12.3
Other bilateral surveillance	41	46	45	46	45	46	3.6	4.1	4.0	4.1	3.9	4.1
Financial soundness evaluations - FSAPs/OFCs	16	14	16	23	20	21	1.4	1.2	1.4	2.1	1.7	1.8
Standards and Codes evaluations	6	7	6	6	6	6	0.6	0.6	0.6	0.5	0.5	0.5
ROSCs	2	2	1	1	1	1	0.2	0.2	0.1	0.1	0.1	0.1
AML/CFT	1	2	1	1	2	2	0.1	0.1	0.1	0.1	0.1	0.1
GDSS/SDDS	3	3	4	4	4	4	0.3	0.3	0.4	0.3	0.3	0.3
Lending (incl. non-financial instruments)	129	127	124	112	115	111	11.6	11.3	11.0	9.9	10.0	9.8
Arrangements supported by Fund resources	102	98	94	92	100	96	9.1	8.7	8.4	8.1	8.7	8.5
Programs and precautionary arrangements supported by general resources	57	55	53	49	49	47	5.1	4.9	4.7	4.3	4.3	4.2
Programs supported by PRGT resources	45	43	41	43	51	49	4.0	3.8	3.6	3.8	4.5	4.3
Non-financial instruments and debt relief 2/	27	29	29	21	15	14	2.4	2.6	2.6	1.8	1.3	1.3
Capacity development	132	133	136	136	138	138	11.8	11.8	12.1	12.0	12.1	12.2
Technical assistance	97	99	100	102	110	110	8.7	8.9	8.9	8.9	9.6	9.8
Training	35	34	36	34	28	28	3.1	3.0	3.2	3.0	2.5	2.5
Support and Governance	360	360	371	378	391	393	32.2	32.1	32.9	33.3	34.2	34.7
Miscellaneous 3/	36	36	29	27	28	15	3.2	3.2	2.6	2.4	2.4	1.3
Contingency	...	...	...	...	11	...	...	...	...	...	1.0	...
Reconciliation item 4/	16	13	17	27	...	...	1.4	1.1	1.5	2.4	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are shown as a separate item.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 6. Capital Expenditures, FY13–18
(Millions of U.S. dollars)

	Formula Key	Facilities	Information Technology	HQ2	HQ1 Renewal	Concordia Renovation	Total Capital
FY 13							
New appropriations	(6)	7.4	34.3	0.0	347.0	0.0	388.7
Total funds available	(7) = (5)+(6)	21.1	63.2	0.1	427.3	31.6	543.3
Expenditures	(8)	7.4	37.1	0.0	22.0	22.3	88.8
Lapsed funds 1/	(9)	1.4	0.5	0.0	0.0	0.0	1.8
Remaining funds 2/	(10) = (7)-(8)-(9)	12.4	25.6	0.0	405.3	9.3	452.6
FY 14							
New appropriations	(11)	17.4	23.8	0.0	0.0	0.0	41.2
Total funds available	(12) = (10)+(11)	29.8	49.4	0.0	405.3	9.3	493.8
Expenditures	(13)	10.1	36.6	0.0	92.2	4.8	143.8
Lapsed funds 1/	(14)	0.5	0.0	0.0	0.0	3.9	4.4
Remaining funds 2/	(15) = (12)-(13)-(14)	19.2	12.8	0.0	313.1	0.6	345.7
FY 15							
New appropriations	(16)	22.0	29.8		0.0	0.6 3/	52.4
Total funds available	(17) = (15)+(16)	41.2	42.6		313.1	0.6	397.4
Expenditures	(18)	10.5	29.3		95.7	0.3	135.8
Lapsed funds 1/	(19)	0.6	0.3		0.0	0.3	1.2
Remaining funds 2/	(20) = (17)-(18)-(19)	30.1	12.9		217.4	0.0	260.4
FY 16							
New appropriations	(21)	14.4	27.7		132.0 4/		174.1
Total funds available	(22) = (20)+(21)	44.5	40.6		349.4		434.5
Expenditures	(23)	14.6	25.8		90.1		130.5
Lapsed funds 1/	(24)	0.4	0.1		0.0		0.6
Remaining funds 2/	(25) = (22)-(23)-(24)	29.4	14.7		259.2		303.4
FY 17							
New appropriations	(26)	32.5	28.0		0.0		60.5
Total funds available	(27) = (25)+(26)	62.0	42.7		259.2		363.9
Expenditures	(28)	17.9	27.9		76.3		122.1
Lapsed funds 1/	(29)	5.4	0.2		0.0		5.6
Remaining funds 2/	(30) = (27)-(28)-(29)	38.7	14.6		182.9		236.2
FY 18							
New appropriations	(31)	31.4	35.0		0.0		66.4
Total funds available	(32) = (30)+(31)	70.1	49.6		182.9		302.6
Expenditures (Est.)	(33)	22.5	35.0		63.9		121.4
Remaining funds (Est.) 2/	(34) = (32)-(33)	47.6	14.6		119.0		181.2

Sources: Office of Budget and Planning and Corporate Services and Facilities Department and Information Technology Department.

1/ Figures reflect funds that were not spent within the three-year appropriation period; e.g., FY 15 appropriated funds lapsed at the end of FY 17.

2/ Figures reflect the unspent amount of the budget appropriation in the period concerned. Those funds can be used for authorized projects in the period covered by the appropriation.

3/ Unspent Concordia funds appropriated in FY 12 expired at the end of FY 14 with the exception of \$0.6 million that was specifically reappropriated for FY 15 to complete the remaining work under the project.

4/ Additional appropriations were approved for the HQ1 Renewal Program during FY 16.