INTERNATIONAL MONETARY FUND

IMF POLICY PAPER

FY2018–FY2020 MEDIUM-TERM BUDGET

May 2017

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- A **Press Release** summarizing the views of the Executive Board as expressed during its April 28, 2017 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on March 29, 2017 for the Executive Board's consideration on April 28, 2017.

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International Monetary Fund
Washington, D.C.

FY2018–FY2020 MEDIUM-TERM BUDGET

March 29, 2017

EXECUTIVE SUMMARY

The Fund has been operating under a flat real resource envelope for the past six years. With continued efforts to maximize the use of available resources, spending in FY 17 is projected to reach 99 percent of the net administrative budget, and a low vacancy rate has helped stabilize overtime at 11 percent. Internal savings and reallocations have allowed the Fund to dedicate more resources to country work, including capacity development, without requiring an increase in the approved budget—apart from $6 million provided in FY 17 to cover rising security costs.

An unchanged real net administrative budget in FY 18, despite deeper Fund engagement in a number of areas, as well as increased costs for corporate modernization. Accordingly, the budget proposal incorporates significant savings from reallocations and efficiency gains to fund new demands, as well as a further increase in the upfront allocation of carry-forward funds by about $10 million. The broad themes of the proposal are: (i) more intensive country work with a shift from surveillance to programs, but net savings in field offices; (ii) significant policy and analytical work on the financial sector and the role of the Fund (global safety net, facilities, and quotas), albeit less than in FY 17, with more work on structural issues and new challenges; (iii) funding for transforming IT and HR services, offset by central savings; and (iv) enhanced risk mitigation and knowledge management (KM), with the establishment of a KM unit to support cross-country analysis and knowledge transfer.

At this stage, a flat resource envelope is assumed also for the medium term, contingent on continued reprioritization and a broadly unchanged global economic environment. Upward pressure on resources will arise from growing capacity development activities and certain revenue losses. Savings are expected from the TransformIT initiative and internal efficiency gains. But for the budget to remain flat, the Fund will need to continuously reprioritize and adjust its activities to make room for new demands. Even then, a more challenging global environment, with a further ramping up of Fund lending, or significant demands for deeper engagement in other areas, would put significant strains on resources over the medium term.

The proposed capital budget envelope for FY 18–20 remains broadly unchanged from current levels. Some frontloading, however, is planned for the first two years, due to the cyclical nature of these investments and to accommodate strategic IT projects.

Approved By
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INTRODUCTION AND OVERVIEW

1. **This paper presents the proposal for the FY 18 budget and the indicative medium-term spending envelope, as discussed with the Committee on the Budget in March 2017.** The resource request is formulated against the backdrop of a solid income position and a multi-year strategic agenda—operationalized and updated in the biannual *Global Policy Agenda* (GPA) and *Board Work Program*—to enhance the quality of surveillance, expand support for capacity development, and respond swiftly to individual members' requests for program support. Despite the Fund's deeper engagement in both traditional and new macro-critical areas, as well as a rising trend in program requests, it is proposed to keep the net administrative budget for FY 18 constant, when expressed in FY 17 unit costs for personnel and non-personnel, respectively (Table 1).[1] In nominal terms, the budget for FY 18 would increase by the global external deflator, comprised of a weighted average of the proposed structure increase in salaries and the projected U.S. CPI. The same level of real resources is assumed over the medium term, save the customary allocation for Annual Meetings held abroad, in FY 19. But with spending pressures on the upside, this scenario is predicated on finding offsetting savings which may prove difficult, particularly in the event of a weaker global economic environment. The capital budget for the next three years remains, on average, broadly unchanged from current levels, but with some frontloading, due to the cyclical nature of these investments, and to accommodate strategic IT projects.

Table 1. Administrative and Capital Budget Envelopes, FY 17–20
(Millions of U.S. dollars, unless otherwise noted)

		Proposed	Indicative	
	FY 17	FY 18	FY 19	FY 20
Administrative Budget				
Net administrative budget (in FY 17 dollars)	1,072	1,072	1,077	1,072
of which: Annual Meetings	-	-	*5*	-
OED 1/	*70*	*70*	*70*	*70*
IEO 1/	*6*	*6*	*6*	*6*
Net administrative budget (nominal terms)	1,072	1,104	1,141	1,169
Gross administrative expenditures (nominal terms)	1,272	1,315	1,376	1,408
Personnel	933	969	…	…
Travel	123	126	…	…
Building and other expenses	205	209	…	…
Contingency	11	11	…	…
Receipts	200	211	235	239
Capital Budget				
IT and Facilities maintenance & improvements (nominal terms)	61	66	74	60
Memorandum items:				
Global external deflator (percentage change) 2/	1.9	2.9	2.9	2.9
Personnel component (70 percent) 3/	2.3	3.0	3.0	3.0
Non-personnel component (30 percent)	0.8	2.6	2.5	2.6

Source: Office of Budget and Planning.

1/ Consistent with broad endorsement by the Committee on the Budget, an unchanged net administrative budget in real terms is assumed for the Offices of Executive Directors (OED). For IEO, the Executive Board endorsed an unchanged resource envelope on a lapse of time basis.

2/ The structure increase approved for FY 18 is 3.0 percent. The projected U.S. CPI corresponds to the published data in the Spring *World Economic Outlook*.

3/ Numbers for FY 19 and FY 20 are technical assumptions which simply maintain the FY 18 compensation decision.

2. **The remainder of the paper is structured as follows.** After a brief discussion of budget execution in FY 17, the subsequent section presents the details of the budget proposal, comprising the administrative budget request for FY 18, the indicative medium-term outlook, and the proposed envelope for the capital budget. As customary, a separate paper on the Fund's income position, prepared by the Finance Department, is issued in parallel.[2]

[1] See Appendix I for a brief description of key budget concepts, deflator methodology, and carry forward.

[2] See *Review of the Fund's Income Position for FY 2017 and FY 2018* (www.imf.org) under Policy Paper, April 26, 2017).

BUDGET EXECUTION IN FY 17

3. **The administrative budget for FY 17 was targeted toward intensified work in a number of critical areas.** Additional resources were provided to enhance engagement with new program and near-program countries; further strengthen surveillance, with a better integration of macro-financial analysis and additional FSAPs; and deepen work on a range of macro-relevant topics, such as international taxation and long-term challenges. To meet these demands, the budget incorporated offsetting savings of close to $20 million, continuing a practice of responding flexibly to new and evolving priorities.[3] The savings came from a variety of sources, including the closure of field offices in countries with concluded programs, remaining implementation of cross-cutting streamlining measures adopted in FY 16, and department-specific efficiencies. These measures allowed the budget to remain flat, except for a $6 million incremental allocation to meet rising physical and IT security costs.

4. **Delivery in terms of outputs has been closely in line with expectations, except for higher bilateral surveillance offset by lower lending activities** (Table 2 and Figure 1). Projections for FY 17, based on data from the Fund's Analytic Costing and Estimation System (ACES) for the first nine months of the financial year, suggest that spending will be close to budgeted amounts for all outputs other than bilateral surveillance and lending.[4] Additionally, spending on support and governance is marginally higher than anticipated due to high demand for information technology and security services.

Table 2. Gross Administrative Fund-Financed Spending Estimates by Output, Direct Costs, FY 15–17
(Millions of FY 17 U.S. dollars)

	FY 15	FY 16	FY 17	
	Outturn	Outturn	Budget Estimate	Estimated Outturn
Total 1/	**1,077**	**1,079**	**1,112**	**1,095**
Multilateral Surveillance	168	163	162	161
Oversight of Global Systems	84	82	86	84
Bilateral Surveillance	187	193	189	205
Lending	123	120	130	111
Capacity Development	129	132	136	135
Support and Governance	350	360	363	365
Miscellaneous 2/	35	28	35	35
Contingency	. . .	. . .	11	. . .

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).
1/ Outturn totals do not reconcile exactly to final budget outturns; e.g., the ACES model uses standard costs for personnel rather than actual cost in the financial system.
2/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated within the ACES model.

- *Work related to lending activities is expected to be much lower than budgeted.* This reflects two main developments. First, while the number of financial programs increased, the number of countries in non-financial arrangements and "near-program" status declined. With the shift in status, the work of the respective country teams is now recorded as bilateral surveillance, rather than lending.[5] Second, in several program cases, particularly in EUR, the

[3] See Appendix II for a brief summary of the Fund's budget evolution over the past years.

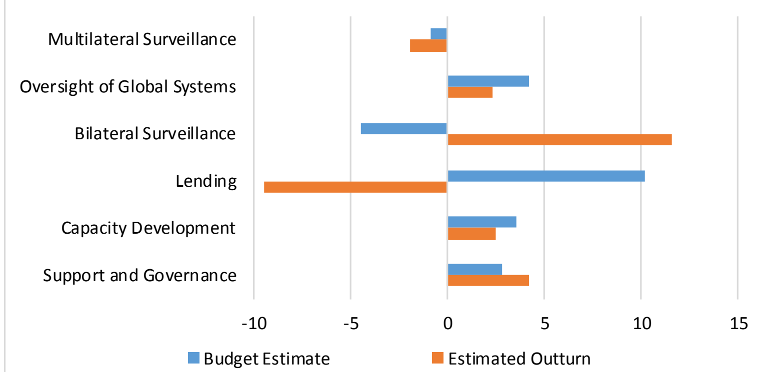
[4] See Statistical Appendix, Tables 6a and 6b for a breakdown of spending estimates with support and governance allocated to final outputs.

[5] 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, as well as work on countries in "near-program" status, where a prospective program is being negotiated with the authorities.

intensity of work, in terms of missions and staff time, has dropped from the very high levels of last year, implying a corresponding reduction in resources devoted to lending.

- *The reduction in lending has been more than offset by an increase in bilateral surveillance.* This is partly the counterpart of lower lending activity for those countries that transitioned from program to surveillance-only status. It also reflects a substantial increase in work on FSAPs (including several assessments of systemically-important financial jurisdictions). In addition, there has been a shift of resources from multilateral surveillance, with RES providing increased support to country teams, consistent with the objectives of the 2014 *Triennial Surveillance Review* to strengthen integration of spillover and other multilateral work into bilateral surveillance.

Figure 1. Net Shifts in Fund-financed Outputs, FY 17 1/
(Millions of FY 17 U.S. dollars)



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

1/ Change in output spending relative to FY 16 outturn.

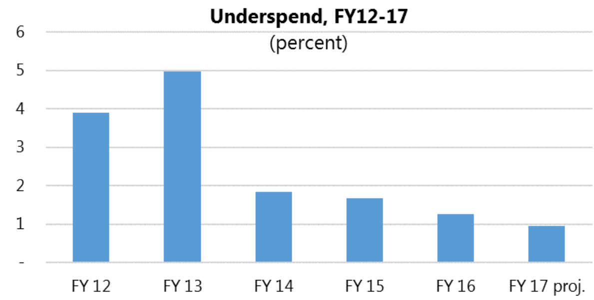
5. Execution is projected to be high at 99 percent of approved budget, with workload indicators broadly unchanged (Figure 2). Over the past few years, concerted efforts to reallocate and operate more efficiently have increased the utilization of existing resources and helped meet new demands within an unchanged budget envelope. These efforts included a variety of measures, such as adjustments in benefits, the release of central margins, departmental and cross-cutting streamlining measures, as well as more flexible budget rules for departments.[6] More recently, a deliberate increase in the upfront distribution of central carry-forward funds has further increased resource utilization, relative to the approved budget (Box 1). In combination, these measures have contributed to a steady improvement in workload indicators that have now stabilized at an average overtime rate of 11 percent. However, pockets of higher overtime persist in a number of departments, particularly among staff working on crisis countries and among senior staff, more generally.[7]

[6] For a more detailed discussion of these efforts, see FY2017–FY2019 Medium-Term Budget.

[7] Overtime rates are much lower among support staff (A1-A8), the only group eligible for overtime compensation.

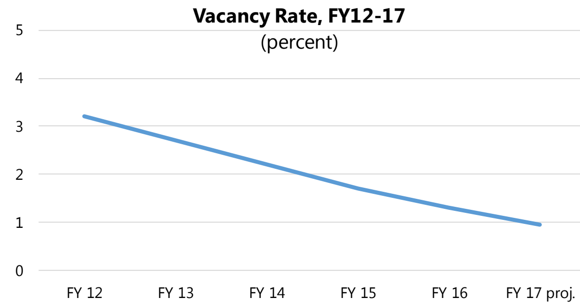
Figure 2. Budget and Workload Indicators

Better use of available resources has reduced the underspend to 1 percent of the approved budget....



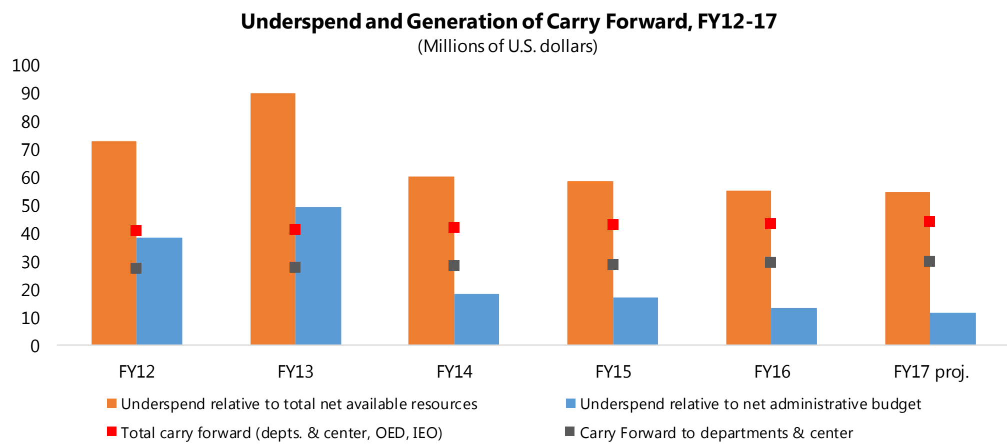
Note: Measures underspend including additional contributions to the RSBIA in FY 12, FY 13 and FY 16.

...as the average vacancy rate has declined to record low levels, with most departments now operating at full capacity.

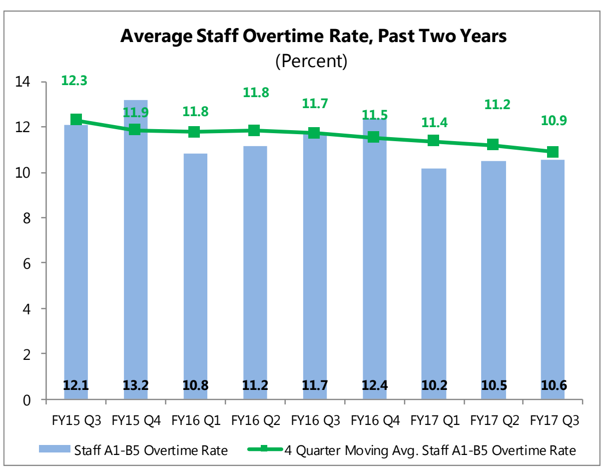


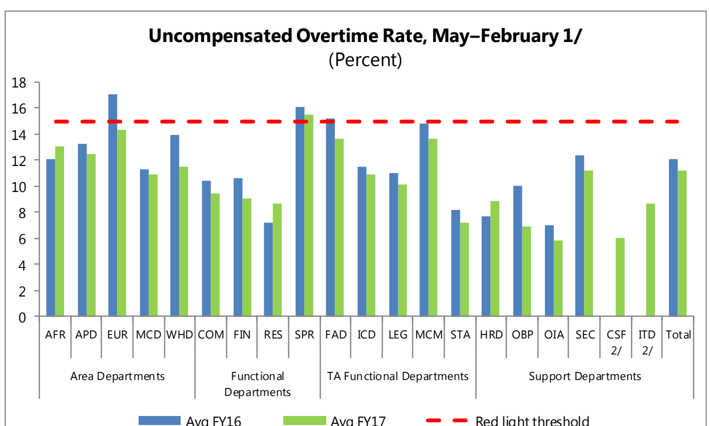
Note: Vacancy rate represents the average rate for the year as a whole.

Carry forward funds, which add to the available resources, have provided flexibility to fund transitional needs, while keeping the budget flat.



The average overtime rate has stabilized at about 11 percent, but pockets of high work pressure still exist in a number of departments.





1/ Includes staff at A9-B5 and non-support contractuals.
2/ TGS was split into CSF and ITD effective Nov. 1, 2016, hence, comparable data for FY16 is not available for this period.

Box 1. Use of Carry Forward

The Fund's carry forward (CF) policy was introduced with the FY 10 budget to allow unspent resources, up to a certain limit, to be carried forward to the next financial year. The CF is defined as:

CF(t) = Budget(t-1) + CF(t-1) – Expenditure(t-1), subject to a limit.

The maximum CF limit for general administrative expenses (departmental and central accounts) was revised down in FY 11 from 6 percent to 3 percent of the net approved budget, while the limits for the OED and IEO were kept at 20 percent and 5 percent, respectively. Departments automatically receive resources as a "top-up" to their annual budgets for unused non-staffing allocations of the previous year, with the aim of reducing incentives for inefficient end-year spending. The bulk of the carry forward (for unspent staffing resources), however, is retained in a central account, providing scope to fund temporary and unexpected demands without an additional budget allocation.

The total CF, excluding the OED and IEO, has been stable over the past years at close to $30 million, with the 3 percent limit binding. This would continue to be the case so long as spending remained within the approved budget, and the CF would effectively be rolled over to add to the available resources of the following year.

In recent years, as demands have continued to increase and the budget has remained flat, the CF has been distributed to departments more deliberately at the outset of the financial year to help them meet transitional demands. This strategy has contributed to a steady decline in the underspend relative to the net administrative budget, to a projected 1 percent in FY 17.

The more aggressive upfront use of the CF increases the likelihood that actual spending may eventually exceed the approved budget, thereby reducing the CF and available resources in the subsequent year, in the absence of a budget increase. This would mean that some activities and services currently provided to the membership would need to be scaled down or discontinued. That said, the transitional nature of the activities funded by the CF would facilitate the required reduction of spending and staffing back towards the approved budget level through the normal process of attrition, provided the resources funded through the CF are sufficiently fungible to be assigned to other work streams.

6. **The projected high utilization of net administrative resources is mirrored in the main spending categories** (Table 3). As in past years, contingency reserves and carry forward funds from the previous year are expected to be preserved on an aggregate basis.[8]

- *Personnel spending (Fund-financed) is expected to be close to the budgeted level.* With most departments fully staffed, the Fund-wide average vacancy rate is expected to end the year close to 1 percent—a further drop from 1.3 percent in FY 16.

[8] Appendix III provides additional information on the FY 17 estimated outturn. A more detailed breakdown of expenditures over the past years is presented in the Statistical Appendix.

- *Travel expenses are projected to end the year below budget*. As assumed in the budget, the unit price of travel has remained unchanged after last year's 5 percent drop, helped by low fuel prices, the Fund's negotiated airline contracts, and improved departmental ticketing practices. Travel volume increased over last year, but by less than envisaged in the budget.

Table 3. Administrative Expenditures: Estimated Outturn, FY 17
(Millions of U.S. dollars)

	Fund-financed		Externally-funded	
	Approved Budget	Estimated Outturn	Approved Budget	Estimated Outturn
Gross expenditures	**1,112**	**1,095**	**160**	**151**
Personnel	824	820	108	99
Travel	83	78	40	40
Buildings and other	194	198	11	12
Contingency 1/	11	0	0	0
Less: receipts	**40**	**35**	**160**	**151**
Net expenditures	**1,072**	**1,060**	**0**	**0**
Memorandum items:				
Carry forward (Staff, OED, IEO) from previous year	43			
Total net available resources	1,115			
Underspend relative to total net available resources	55			

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.

- *Spending on buildings and other (non-personnel and non-travel) expenses is expected to modestly exceed planned levels*. This is mainly the result of increased demand for information technology and security services (Box 2). In addition, there have been delays in some large projects that had planned to deliver savings, specifically Email in the Cloud and the transition of IT infrastructure support to managed services.

- *Receipts are expected to fall short of projected levels*. Contributing factors include slightly reduced trust fund management fees due to lower-than-planned execution of externally-funded CD (see below), and lower-than-planned income from the Concordia and some cost-sharing agreements with the World Bank.

- *Finally, externally-funded activities (captured symmetrically in expenses and receipts) are projected to be below budgeted levels*, owing to delays in the delivery of a number of capacity development projects, as well as security concerns in some high-risk locations.

7. **Capital spending in FY 17 took place largely according to plan and overall at a pace comparable to last year** (Table 4). By far, the largest spending was on the renovation of the HQ1 building, estimated at nearly $80 million. Significant progress on HQ1 was evident in FY 17, with the opening of several public spaces, re-occupying the offices on the third and fourth floors, and hosting the Annual Meetings. At the same time, uncertainties remain about the ability of the general contractor to deliver the project in a timely fashion, which could have repercussions on the budget. Staff will continue to provide quarterly status reporting to the Board on this project. Spending on IT capital projects, estimated at about $35 million, continued to deliver results, mainly in the areas of protecting against cybersecurity

Table 4. Capital Expenditures: Estimated Outturn, FY 17 1/
(Millions of U.S. dollars)

	Total Funds Available in FY 17	Estimated Outturn
Facilities	62	15
Information Technology	43	35
HQ1 Renewal	259	78

Source: Office of Budget and Planning.
1/ Approved capital funding is available for three consecutive years, except for HQ1 Renewal, which lapses in April 2025.

threats, improving data management, and replacing infrastructure that had reached the end of its useful life. Spending on building facilities, at some $15 million, was just over last year's pace, and mainly reflected investments in audio visual capabilities.

Box 2. Spending on Security

Recognizing the pressure that rising security costs (both physical and IT) were placing on the budget, the Executive Board approved an increase of $6 million in FY 17 for security-related needs. This amount, expressed in FY 16 dollars, was deemed sufficient to cover security needs that were previously met from transitional funds, as well as the projected increase in security costs in FY 17.[1] Security spending is now projected at $35.4 million in FY 17 ($0.7 million higher than assumed in the budget), with the expectation of continued pressures. Due to the one-off and cyclical nature of certain security costs (e.g. equipment, software purchases, country assessments), the components of spending will shift from year to year.

Spending on security developed as follows in FY 17:

Field security costs are projected to be slightly above budget. The cost increase is due to additional country security assessments extending beyond High-Risk Locations (HRLs); hiring of additional security protection consultants in HRLs; training in the region; increasing costs associated with intelligence report subscriptions and UN fees; and costs for rest and recuperation of staff residing in HRLs. The increase was partially offset by lower-than-anticipated purchases of armored vehicles.

HQ security costs are projected to be at budget. Of the $1 million provided in the administrative budget to implement recommendations of an external study on HQ security, only about one quarter will be spent for threat assessment analysis and the hiring of additional security staff. Other recommendations are still under review; in the meantime, the remaining allocation was used to finance higher spending for Annual and Spring Meetings security at HQ.

Security Related Spending, FY 15–17
(Millions of FY 17 dollars, unless otherwise indicated)

	FY 15	FY 16	FY 17 Projection	
			Budget	Revised
Administrative expenses	**29.2**	**32.0**	**34.7**	**35.4**
Field security	8.0	9.1	9.9	10.2
HQ security	14.0	14.3	15.3	15.3
Business continuity	0.6	0.7	0.6	0.9
IT security	6.6	7.9	8.8	9.0
In percent of administrative budget	**2.3**	**2.5**	**2.8**	**2.8**
Capital expenses	**7.2**	**4.3**	**13.7**	**5.1**

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

Business continuity spending is projected to be higher than planned due to an expansion of crisis preparedness exercises.

Higher **IT security** costs mainly reflect increased spending on network security and continued professional services in this area.

The budget for **capital expenditures** included $9 million to implement physical building improvements at HQ that were identified in a recent security consultant study. To date, approximately $0.5 million has been used for upgrades to the building access control systems, and for feasibility studies to look further into how to implement other recommendations. It is anticipated that all of the capital funding that was approved will be needed to implement the recommendations.

During budget discussions for FY 18, departments highlighted continued pressure and indicated that security costs could increase in some areas. These include HRL-related spending; executive, mission, and field office protection; security training courses offered both at HQ and in the regions; implementation of remaining recommendations of the external HQ security study; and securing of IT assets. Reallocations were agreed with departments to accommodate most of the new demands, including through greater prioritization of security spending itself, subject to the utmost importance of protecting the safety of Fund personnel and its most critical information and physical assets.

[1] See FY2017–2019 Medium-Term Budget, Box 3 "Spending on Security."

FY 18–20 MEDIUM-TERM BUDGET

A. The Strategic Context

8. **The size of the Fund's budget and its allocation are guided by three broad considerations: financial sustainability, institutional priorities, and economic conditions.** Financial sustainability is assessed on the basis of net income projections under appropriately conservative assumptions for lending volumes and investment returns. Institutional priorities are set in a multi-year context and evolve gradually in response to new challenges faced by the membership and a systematic process of review and learning. Finally, 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. The role of the annual budget exercise is to realign the resource envelope and allocation with the evolving priorities, confirm that the spending level remains consistent with income projections, and preserve sufficient buffers and flexibility to respond to unforeseen in-year demands.

9. **Net income is projected to remain positive for the foreseeable future, with surcharge income contributing to surpluses in the coming years (Table 5).** This outcome—which allows the buildup of adequate precautionary balances to manage financial risks—holds under appropriately conservative steady-state assumptions in the context of the New Income Model (NIM), defined for FY 27 by a lending volume of SDR 20 billion (versus SDR 48.7 billion in FY 17); 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 3 percent payout from the Endowment; and importantly, no surcharge income.[9] While these projections incorporate constant real spending levels, *the Fund's income position appears sufficiently robust to accommodate somewhat higher spending,* should this be deemed appropriate by the membership to meet rising demands or cost pressures.[10]

Table 5. Consolidated Operational Income and Expenses, Including Surcharges, FY 17–27
(Millions of U.S. Dollars)

	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 27
Baseline scenario								
I. Operational income	1,393	1,081	2,084	1,531	1,539	1,486	1,470	1,663
II. Expenses 1/	1,145	1,197	1,240	1,268	1,273	1,299	1,308	1,392
Of which: Net administrative budget	1,060	1,104	1,141	1,169	1,187	1,212	1,226	1,306
III. Surcharges	806	778	860	870	613	447	396	0
IV. Net operational income plus Surcharges (I-II+III)	1,054	662	1,704	1,133	879	634	558	271
Memorandum items:								
Fund credit (average stock, SDR billions)	48.7	53.2	57.8	56.4	48.3	37.5	27.4	20.0
US$/SDR exchange rate	1.38	1.37	1.38	1.39	1.40	1.41	1.43	1.45
Precautionary balances (end of period, SDR billions)	16.4	16.9	18.2	19.0	19.6	20.0	20.4	15.0

Source: Finance Department.
1/ Includes: (i) net expenditures made from the administrative budget; (ii) expenditures made from the capital budget for items that are not depreciated; and (iii) depreciation charges for expenditures made from the current or previous capital budgets.

[9] See *Review of the Fund's Income Position for FY2017 and FY2018,* (www.imf.org) under Policy Paper, April 26, 2017).

[10] Assuming, for purely illustrative purposes, a permanent 2 percent real increase in the net administrative budget for both FY 19 and FY 20, the impact on the net operational income and reserves would be minimal, with precautionary balances amounting to SDR 20.3 billion in FY 23 versus SDR 20.4 billion in the baseline scenario.

10. 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 capacity development—covering the Fund's three core activities—are conducted every five years and supplemented by staggered assessments of specific activities and policies, such as reviews of the FSAP, transparency policy, or debt sustainability assessments. Lessons from these assessments, as well as from IEO evaluations, typically translate into recommendations that shape the Fund's medium-term work priorities. Priority work streams for the coming years include:

- Continued deepening and mainstreaming of spillover, macro-financial, and balance-sheet analysis; building adequate expertise on macro-critical structural policies; analysis of long-term global challenges; and continued work on fiscal space, international taxation, de-risking, governance, productivity, macro-prudential policies, financial inclusion, and income inequality.

- Review of the adequacy of the global financial safety net and the Fund's resources and lending toolkit; assessment of the role of the SDR; and completion of the 15th general review of quotas.

- Further expansion of capacity development (CD), mainly funded externally, to support priority activities under the Financing for Development agenda, with a particular focus on fragile states, domestic revenue mobilization, public financial management, financial deepening, and macroeconomic and financial statistics; enhanced alignment and better integration of CD with surveillance and lending activities, and within CD, between TA and training; and enhanced prioritization, efficiency, and monitoring through wider use of Results Based Management (RBM). Box 3 describes the current strategy and governance framework for externally-funded CD; the next CD strategy review has been initiated and will take place in FY 18.

- Strengthening of internal risk and knowledge management and modernization of HR management and IT systems.

11. The multi-year agenda is refined periodically to respond to new realities and changing demands. Priorities are reviewed and updated twice a year in the Managing Director's *Global Policy Agenda* (GPA) which, together with the IMFC Communiqués, guides the work program of the Board and of individual departments as the basis for the annual budget formulation.[11] This process ensures that the Fund's work program 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 envelope is currently deemed sufficient to deliver on the Fund's medium-term institutional priorities,* provided new demands can continue to be met through reprioritization and savings.

[11] See Appendix IV for a brief description of the budget planning framework.

Box 3. The Capacity Development Landscape

Spending on Capacity Development (CD) is forecast to increase. CD, which comprises TA and training for member countries, has been the Fund's largest single output since FY 12, rising from 24 percent of total spending to 28 percent in FY 16. While both Fund- and externally-financed CD have grown, the increase continues to be driven by the latter. Over FY 18–20, the externally-financed CD budget is forecast to rise by $40 million, or 15 percent in real terms. This will entail some knock-on costs for the Fund budget that will have to be funded (see par. 20 below).

Capacity Development: Outturns and Estimated Budgets, FY 16-20
(Millions of US dollars)

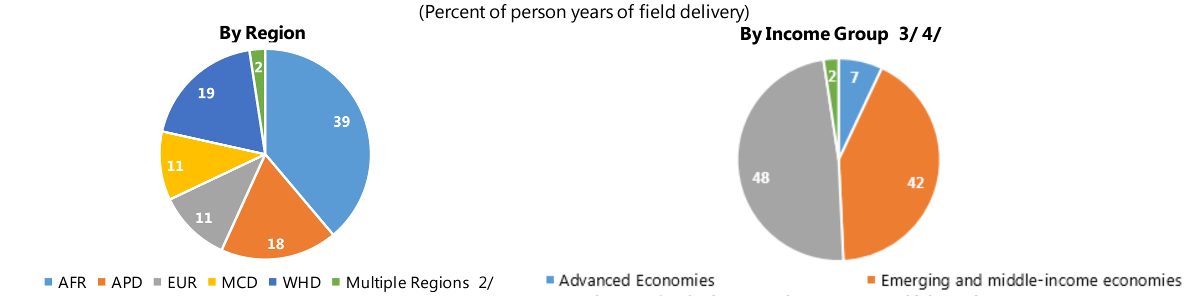
	Outturn		Budget		
	FY 16	FY 17 (est.)	FY 18	FY 19	FY 20
Total	**272**	**295**	**311**	**339**	**348**
Department					
FAD	89	99	105	111	115
MCM	49	49	53	55	57
STA	29	32	33	35	36
LEG	13	14	14	15	15
ICD	59	62	62	64	65
Other 1/	34	39	44	60	60
Funding Source					
Fund-financed 2/	130	135	139	143	147
Externally-financed 3/	142	160	172	196	201

Source: Fund-financed data (FY2016) are direct CD costs from OBP, ACES; externally-financed data are from ICD Global Partnerships Division; and staff estimates.
1/ Includes RES, SPR, OAP and Area Departments. In outer years, includes unallocated external funding.
2/ Estimated CD outturn for FY2017 grows with deflator over FY2018-20.
3/ FY2017-20 represent agreed medium-term anchors. Outer years reflect targets rather than firm commitments.

CD activities are focused on the Fund's core areas of expertise. In FY 17, the largest share of CD spending is in the fiscal area (34 percent), followed by monetary and financial policies (17 percent), macroeconomic and financial statistics (11 percent), and legal issues (5 percent). Training represents about 16 percent of total CD spending. The Fund's online learning courses have been growing in importance and accounted for about 30 percent of the volume of Fund training in FY 16.

Low-income developing countries received close to 50 percent of Fund TA in FY 16 as measured by person years of field delivery (TA represents about 90 percent of CD). By region, countries in AFR received the largest share of about 40 percent of total TA, followed by countries in WHD and APD.

TA Delivery by Region and Income Group, FY 16 1/
(Percent of person years of field delivery)



Source: Travel Information Management System (TIMS).

1/ An effective person year of field delivery of TA is defined as 260-262 working days of Fund staff or experts. In FY 17, 303 person years of TA were delivered.
2/ TA delivered simultaneously to a number of countries from more than one region.
3/ TA delivered to regional groups has been allocated evenly among member countries of each group.
4/ Advanced economies are classified according to the April 2016 World Economic Outlook. Low-income developing countries are those designated eligible for the Poverty Reduction and Growth Trust (PRGT) in the 2013 PRGT-eligible review and whose per capita gross national income was less than the PRGT income graduation threshold for "non-small" states. Emerging market and middle-income economies include those not classified as advanced economies or low-income developing countries.

The proposed expansion of externally-funded CD activities is largely to support the Financing for Development Agenda. The planned FY 18 increase reflects implementation of the new South Asia Regional Training and Technical Assistance Center (SARTTAC); expansion of existing trust funds for Revenue Mobilization and the Management of Natural Resource Wealth; and a new Financial Sector Stability Fund that aims at helping low- and lower-middle-income countries assess financial sector vulnerabilities and formulate and implement financial sector reform programs. Fragile states will remain a priority.

Box 3. The Capacity Development Landscape (concluded)

Donors contribute to a variety of CD vehicles. Contributions are made to either multi-donor vehicles or bilateral programs/projects. The former include nine Regional Technical Assistance Centers (RTACs); SARTTAC, the first center that fully integrates training and TA; seven Regional Training Centers (RTCs); and Programs (RTPs), and eleven topical and country trust funds (TTFs). Between FY 12 and FY 16 the top five donors (in order: Japan, EU, Canada, UK and Switzerland) contributed just over 60 percent of total external funds.

Capacity Development Vehicles: Top 10 Donor Contributions. FY 12-16

		Contribution (Millions of U.S. dollars)	Share (Percent of Total)
Multidonor		**458**	**59.6**
of which:	Topical Trust Funds (TTFs)	117	15.2
	Regional Training Assitance Centers (RTACs)	257	33.4
	Regional Training Centers (RTCs)	84	10.9
Bilateral		**311**	**40.4**
Total		**769**	**100.0**

Source: ICD Quarterly Fundraising Database, adjusted for RTC costs covered directly by the hosts, which are not reflected in IMF accounts.

Notes: Figures may not add to totals due to rounding. TTF and RTAC: signed contributions and pledges for current cycle as of April 30, 2016. For RTC and bilateral: contributions made during FY 12-16.

The governance of CD was strengthened in line with the Executive Board's review of the Fund's CD strategy in June 2013.[1] The Board provides strategic direction and oversight through: (i) regular reviews of, and policy guidance for, CD policies and activities; and (ii) the budget process. Management implements the overall strategic direction and conducts the operations related to the Fund's CD activities. The interdepartmental Committee on Capacity Building (CCB), chaired by management, plays an integral role in that process. The next Board review of the Fund's CD strategy will be in FY 18.

Planning and prioritization has evolved to improve the allocation of scarce resources. Every fall, the CCB takes stock of member countries' evolving demands for CD, area departments' regional strategies, and Fund priorities, as reflected in the IMFC communiqués, Board work programs, and the *Global Policy Agenda*, and sets medium-term CD priorities. The CCB's conclusions then feed into the Fund-wide planning and budget discussions. This process helps align CD activities with broader institutional priorities.

Planning needs to account for the fact that internal and external financing of CD are not perfect substitutes. In deciding which funding source to use, departments are guided by the following Board-approved principles:[2]

- *Fund's role.* The Fund should be responsible for financing CD in the following cases: (i) in countries or on topics where external funding is not available, including program cases; (ii) when a quick reaction is required; or (iii) when Fund expertise in particular areas needs to be maintained.
- *Donors' role.* External financing of CD can be considered when: (i) donor interests are consistent with Fund priorities and objectives; and (ii) sufficient space is available in the Fund's budget to cover co-financing costs.
- *Additionality*. Donor financing should result in additional delivery of CD to members.

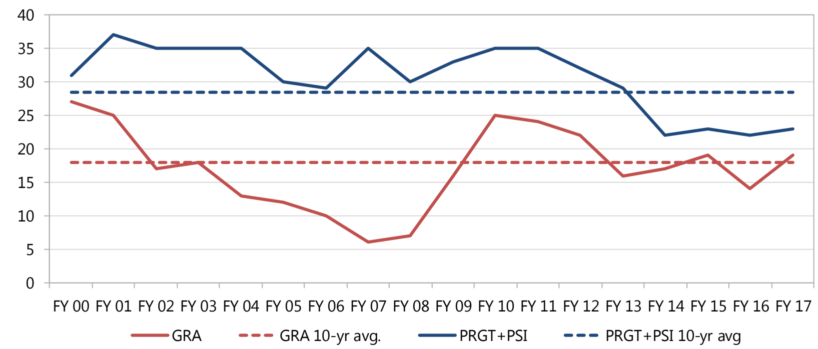
[1] *The Fund's Capacity Development Strategy—Better Policies Through Stronger Institutions (*IMF Policy Paper, May 21, 2013) and *Executive Board Review of the Fund's Capacity Development Strategy* (PIN No. 13/72, 06/27/13).

[2] *IMF Policy and Practices on Capacity Development* IMF Policy Paper, August 26, 2014.

12. That said, resource pressures may arise from the global economic conjuncture through its impact on the Fund's lending and surveillance activities. Despite signs of a recovery in global growth, vulnerabilities have persisted in many economies, particularly commodity exporters. Accordingly, resource pressures have begun to intensify, with an uptick in Fund-supported programs evident already in the African and Middle Eastern regions, and new program requests on the horizon (Figure 3). At the same time, weak global growth has adversely affected fiscal balances across a range of countries more generally. And looking forward, policy uncertainties and long-standing structural and demographic challenges imply a significant risk of economic disruptions and renewed volatility in financial markets. The Fund's b*udgetary buffers appear adequate for FY 18, but a sustained and large increase in lending activity would require budget adjustments in subsequent years*.

Figure 3. Fund Arrangements, FY 2000–17 1/

(Number of Countries)



1/ Blend GRA/PRGT arrangements are included as PRGT.
Based on number of arrangements at end of period. For FY 17, includes current arrangements as of March 10.

B. Administrative Budget for FY 18

13. While the Fund's priorities identified in the latest GPAs will require deeper engagement in a number of areas, it is proposed to keep the FY 18 structural budget flat in real terms. To meet the membership's priorities, departments identified additional gross needs of \$50 million for new priorities as well as transitional activities. These needs are proposed to be covered by structural savings of \$26 million and an upfront allocation of carry-forward funds of \$24 million, some \$10 million more than in the previous year. This strategy will allow the net administrative budget to remain flat, while providing additional net resources to departments to meet their transitional needs.

14. These demands and savings imply a reallocation of resources that can be grouped into four broad themes: country engagement; policy work; corporate modernization; and knowledge and risk (Table 6).

Table 6. Demands and Savings by Theme, FY 18

(Millions of FY 17 U.S. dollars)

	Structural Demands	Transitional Demands	Structural Savings	Transitional Demands in FY17	Net Additional Resources
	(a)	(b)	(c)	(d)	(e) = (a)+(b)-(c)-(d)
Country Engagement	**5.7**	**9.9**	**8.3**	**6.9**	**0.4**
Intensifying country work	1.0	2.7	1.8	1.1	0.8
Field Presence	0.7	1.1	2.6	1.0	-1.9
Financial sector	0.3	2.5	0.2	3.0	-0.4
Fiscal sector	0.2	0.6	0.2	0.5	0.1
Macro-structural	0.2	0.1	0.0	0.0	0.3
Capacity Development (incl. AML/CFT)	1.2	0.7	1.1	0.3	0.5
Outreach and events	1.0	1.5	0.9	0.7	0.9
Other	1.2	0.7	1.6	0.3	0.0
Policy Work	**7.9**	**3.3**	**8.5**	**1.1**	**1.7**
Financial sector	1.3	0.3	2.2	0.0	-0.6
Structural issues and new challenges	1.0	1.8	0.3	0.2	2.3
Fiscal space	0.0	0.2	0.0	0.0	0.2
Other policy issues	1.6	0.7	1.1	0.5	0.7
Role of the Fund	3.9	0.3	4.8	0.4	-1.0
Outreach	0.2	0.0	0.0	0.0	0.2
Corporate Modernization	**4.8**	**8.9**	**9.0**	**4.2**	**0.5**
Corporate Services (IT, HR, other non-security)	3.7	7.9	4.9	2.3	4.5
Security Services	1.1	1.1	0.1	2.0	0.0
Savings (travel deflator, central savings)	0.0	0.0	4.0	0.0	-4.0
Knowledge and Risk	**7.6**	**2.2**	**0.3**	**1.8**	**7.7**
Knowledge management and data	**6.6**	**1.2**	**0.0**	**0.9**	**6.8**
Risk management/mitigation	1.0	1.0	0.2	0.9	0.9
Grand Total	**26.0**	**24.4**	**26.0**	**14.0**	**10.3**

Source: Office of Budget and Planning.

(i) **Close to $16 million will support both structural and transitional demands for country engagement**, with much of this work funded by internal reallocations within the same area:

- Intensified *program work*, mainly in AFR and MCD, will be funded by savings from the continued downsizing of EUR and a net reduction in the Fund's field presence—assuming that the phasing out of posts opened in the aftermath of the global financial crisis will not be offset by the need for new posts in response to rising program requests.

- Ramped-up work on the *financial sector*, mainly to mainstream macro-financial surveillance and support FSAPs, will continue at a high level, though somewhat lower than in FY 17. Work on *fiscal issues*, including international taxation, will be broadly unchanged, while new resources will be provided for support of country teams on *macro-structural* issues (in addition to the policy work discussed below).

- Expanded Fund-financed *capacity development* activities include work on AML/CFT, additional fundraising efforts, as well as the cost of implementing the final phase of the

Categories of Employment (CoE) reform.[12] These resource needs will be partially offset by efficiency gains in external training activities, including reductions in print costs and more webinars, as well as reductions in the budget for short-term experts. In addition, the budget will absorb any unrecovered costs related to the planned $10 million expansion of externally-funded CD activities in FY 18.

- The budget for *outreach* will increase, mainly to accommodate the costs for the Annual and Spring Meetings, where scope and impact have grown over the years. In FY 17 transitory staff vacancies in SEC provided some off-settings savings, but these are not expected to persist in FY 18. With a view to delivering the meetings in the most cost-effective way, a working group with representation of relevant departments will be established to review scope, operation, and costs associated with the meetings.

(ii) **New policy and analytical work, consistent with the Work Program, accounts for $11 million of gross structural and transitional demands.** The majority of these will be met by reallocations from completed policy and analytical work.

- *Financial sector work* will focus on the role of macro-prudential indicators, the systemic implications of technology, regulatory reforms, and insolvency regimes, but will absorb fewer resources than in FY 17. Savings are generated from a number of largely completed policy papers, such as the review of multiple currency practices, the liberalization and management of capital flows, and correspondent banking relationships.

- Work on *structural issues,* on the other hand, will increase, supported by the creation of a structural reforms unit in the Research Department, as will work on new challenges, including globalization, technology, income inequality and long-term uncertainties. Additional resources will also be provided for the work on fiscal space.

- *Other policy issues* that will be supported by additional resources include the review of the debt sustainability framework for market access countries, and work on currencies, disorderly market conditions, and trade. Savings are generated from a number of largely completed reviews, including the review of the debt sustainability framework for low-income countries.

- While significant resources will be dedicated to work on the 15th general review of quotas, the overall resource needs for work on the *role of the Fund*, including work on the SDR and global financial safety net, will be lower than in FY 17. Savings also include those generated from the substantial completion of the review of standards and codes and other policy work.

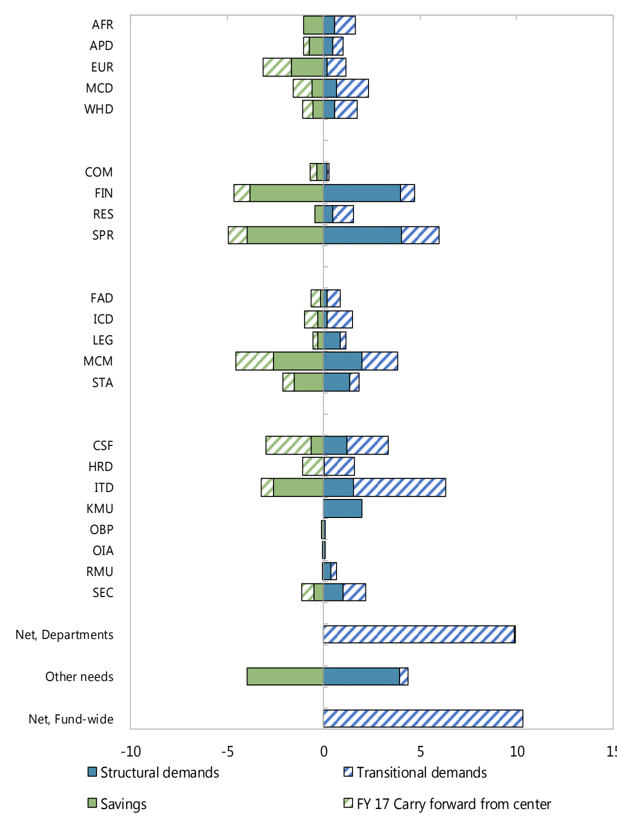
[12] Under the CoE reform, some 120 new staff positions were agreed to be created during FY 16–18 for work that was previously undertaken by contractual employees.

(iii) **Corporate modernization will absorb close to $14 million, almost fully offset by administrative and other central savings.** Gross needs cover a wide range of functions, including the increased demand for audio visual and language services, additional security outlays, as well as the comprehensive review of staff compensation that takes place every three years. Savings will again be generated by the TransformIT initiative (Box 4). In addition, savings will also result from keeping constant the deflator for the travel budget, as in previous years, and from other prospective adjustments in central accounts.[13]

(iv) **Work on risk and knowledge management will see a significant net increase.** Demands include the establishment of a single economic data registry and a dedicated Knowledge Management Unit to support cross-country work and knowledge transfer. Resources will also be needed to further strengthen the control framework for salaries and benefits administration, and to strengthen the Risk Management Unit.

15. The budget proposal combines some rebalancing of resources across departments with significant reprioritization within (Box 5 and Figure 4). These efforts imply an explicit reallocation of 3½ percent of departmental budgets, almost 1½ percentage points more than in FY 17, with some departments identifying reallocations of more than 8 percent of their budgets. Actual reallocations are much larger, as many departments net out parts of their new demands against savings and shift resources throughout the year to respond to changing priorities. These efforts, together with central savings, will fund the new Knowledge Management Unit as well as other institutional needs, such as the economic data registry and the implementation of the final phase of the Categories of Employment (CoE) reform.

Figure 4. Demands and Savings, FY 18
(Millions of FY 17 U.S. dollars)



Source: Office of Budget and Planning.

[13] Revisions to the Fund's Medical Benefits Plan are currently under review and expected to result in reduced contributions.

Box 4. TransformIT

In 2014, against the backdrop of a zero growth budget environment, increasing demand for new information technology (IT) systems and platforms, and industry shifts in software development and cloud-based solutions, the Fund engaged the services of A.T. Kearney consultants to evaluate: (i) whether the size of the overall IT budget allocation was appropriate; (ii) if the IT was being effectively utilized; and (iii) if there were other savings opportunities that could be realized, including through better demand management.

The study concluded:

- While the overall (administrative and capital) IT budget was comparable to other organizations, a number of inefficiencies existed and certain services related to application support and infrastructure could be provided at a lower cost.
- There was room to improve how money was spent, and the investment framework could be strengthened to ensure proposed investments articulate the business value and the business owners are held accountable for realizing the business value.
- A significant portion of the savings would need to be reinvested in IT to improve the IT service delivery functions.

As a result, ITD developed the TransformIT program, which was initiated in FY 16. The purpose of TransformIT was to focus on changing the way IT services are delivered, as well as to highlight opportunities to improve overall cost efficiencies, thereby changing the Fund's IT operating model. TransformIT has three key objectives:

- Agile IT: Change the organizational structure, processes, and technology, to ensure that IT is responsive and flexible to address changing business requirements.
- Improved Partnerships: Improve the IT investment priorities, work, and services to support the Business Technology Strategy, and align to the strategic and operational goals of the institution.
- Cost Control and Reduction: Improve the overall IT cost efficiency to allow more funding to be directed to building strategic IT capabilities or to other Fund priorities.

The TransformIT program is comprised of several projects that aim to address the recommendations from the study, with estimated potential one-off and recurring savings of up to $16 million, though some of this would need to be re-invested in other IT programs. Projects completed include the IT Help Desk and staff augmentation vendor contract rebids, printer reduction and print managed services, IT Department reorganization including the creation of centers of excellence (such as a Project Management unit and Quality Assurance and Testing group), and modernization of the Oracle database environment (Exadata implementation). Projects in progress or planned include the transition of infrastructure support to a managed services model, Email to Cloud platform, software rationalization, implementation of show-back mechanism as part of demand management for IT, and the modernization of the human capital (eHR) and financial management systems.

Through FY 17, the projects that have been completed have delivered substantial savings in both the administrative and capital budgets, with recurring savings of $3.6 million and one-off savings of $7.7 million, respectively. Projects in train or just starting are estimated to deliver an additional $4.5 million by the end of FY 20. Savings achieved thus far have largely reduced the IT budget; however, some IT reinvestment has and will continue to occur in order to meet the overall objectives of the project.

Box 5. Reallocations Across and Within Departments

Area departments will see a reduction in their structural budgets of about $2 million, offset fully by an increase in transitional funding. Reflecting the continued reduction in program work, **EUR's** structural budget is further reduced, cushioned by transitional resources to cope with remaining vulnerabilities and uncertainties in the region. **AFR** will receive significant new transitional resources to staff new program teams, while generating savings from the downsizing of resident representative posts in non-program countries. **APD** will draw on staff in field offices to support additional operational and analytical work. **MCD** will offset the costs of a new post in a program country by closing a post in a non-program country, while receiving additional transitional funding to continue work on macro-financial issues, de-risking and Islamic finance. **WHD** will generate savings in field offices to fund the opening of a new post in a prospective program country.

Functional non-TA departments will reallocate significant resources to new priorities within a flat structural budget, while receiving about $2 million in additional transitional funding. **COM** will leverage digital technologies and impact data to step up efforts to target wider audiences, such as non-media influentials. **FIN** will reallocate resources from less work on SDR issues and the global financial safety net to the 15th Quota Review and model risk management activities. **RES** will establish a structural reforms unit, the cost of which will be offset internally, spread over a number of years. **SPR** will shift resources from completed review work, (e.g., post program monitoring, standards and codes, role of the SDR, and role of the Fund in governance issues) to new work endorsed in the Board's work program (e.g., review of facilities and the DSA framework for market-access countries). SPR will also continue to receive transitional funding for work on various projects, such as mainstreaming macro-financial and macro-structural analysis, and work on fiscal space and long-term uncertainties.

Functional TA departments will see a small reduction in their structural budget, but will receive close to $1 million more than last year in transitional funding. **FAD** will continue to receive funding for its work on international taxation issues, and **ICD** for internal training and results-based management, while generating efficiencies in the delivery of external training. **LEG** will receive structural funding to step up its work on AML/CFT issues and some transitional resources for work on governance and anti-corruption. **MCM** will accommodate priority work on FSAPs and macro-financial surveillance through savings from completed policy work. **STA** will receive some transitional resources for its work on the Fund-wide Strategy for Data and Statistics for Surveillance, but will fund the bulk of it through reprioritization and reallocation from streamlined work on data and methodologies.

Support departments will see largely unchanged structural budgets, but will receive net transitional resources of $5 million for a variety of IT and HR services, as well as the Annual and Spring Meetings. **CSF** will receive additional funds to meet higher demand for language, audio visual, and security services, largely offset by internal savings. **HRD** will continue to receive funding for the implementation of the control framework for salaries and benefits and for the three-year full compensation review. Continuous progress in implementing **ITD's** TransformIT initiatives and other gross savings will in part be reallocated to additional IT security and to support capital projects moving into the administrative budget. Substantial transitional resources will be provided to continue the migration of IT infrastructure support to a managed service model, which is expected to deliver significant structural savings. **RMU** will receive additional personnel and travel resources. **SEC** will receive additional resources for costs associated with the Annual and Spring Meetings, previously covered in large part by transitory internal vacancies.

16. The proposed budget will fund 34 new staff positions. However, this includes 15 staff positions under the CoE reform—which are neutral in terms of total personnel count—and an additional 10 positions, relative to last year, for work that is transitional in nature (Table 7).[14]

Table 7. FTE Changes by Department, FY 17–18

(Full-time Equivalents (FTEs), excluding externally-financed)

	FY 17	FY 18			Transitional		
	Approved Budget	Categories of Employment	Other Structural	Proposed Budget	FY 17 1/	FY 18	Net Change
Area	**788**	**1**	**(3)**	**786**	**11**	**15**	**4**
AFR	215	-	-	215	-	4	4
APD	112	-	-	112	1	1	-
EUR	190	-	(3)	187	5	3	(2)
MCD	137	1	-	137	3	4	1
WHD	134	-	0	134	1	3	2
Functional Non-TA	**499**	**-**	**1**	**500**	**7**	**11**	**4**
COM	92	-	-	92	1	-	(1)
FIN	129	-	0	129	3	2	(1)
RES	109	-	1	110	-	3	3
SPR	169	-	-	169	3	6	3
Functional TA	**704**	**10**	**2**	**716**	**8**	**13**	**5**
FAD	157	3	-	161	1	1	-
ICD	121	0	-	121	3	4	1
LEG	78	3	2	82	-	1	1
MCM	214	4	-	218	3	6	3
STA	135	-	-	135	1	1	-
Support/Main Offices	**504**	**4**	**8**	**516**	**4**	**1**	**(3)**
CSF	159	1	2	162	2	-	(2)
ITD	148	3	-	151	-	-	-
HRD	93	-	-	93	2	1	(1)
SEC	65	-	-	65	-	-	-
OBP	16	-	-	16	-	-	-
OIA	16	0	-	16	-	-	-
RMU	8	-	2	10	-	-	-
KMU (Provisional)	-	-	4	4	-	-	-
Others	**94**	-	**1**	**95**	**-**	**-**	**-**
of which:		-		**-**			**-**
OMD	24	-	-	24	-	-	-
INV	19	-	-	19	-	-	-
HQT	8	-	-	8	-	-	-
EDT	5	-	1	6	-	-	-
OED/IEO	**254**	-	**-**	**254**	-	-	-
Total	**2,844**	**15**	**9**	**2,868**	**30**	**40**	**10**

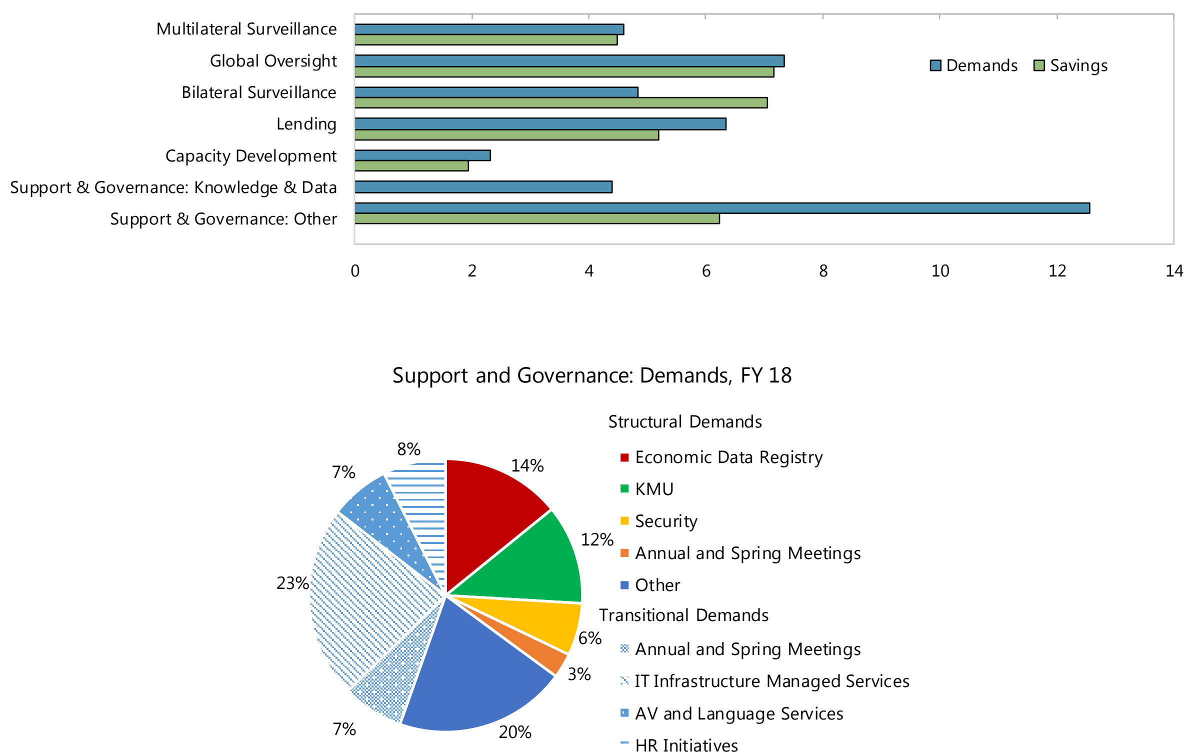
Source: Office of Budget and Planning.

1/ At the beginning of FY 17 with some retroactive adjustments. Resources are limited to the financial year and need to be rejustified for the following year, should the need persist.

[14] Since under the CoE reform, the new staff positions were created for work that was previously undertaken by contractual employees, the reform is neutral in terms of headcount.

17. In terms of outputs, the proposed budget implies a net increase in total spending on knowledge and data management initiatives and other support and governance activities, combined with a shift from bilateral surveillance to lending (Figure 5). Reversing the changes observed in FY 17, resources devoted to *bilateral surveillance* would decrease, as staff shift their efforts to work on *lending activities* for new and prospective Fund-supported programs in emerging markets and low-income countries. Other direct output categories (excluding support and governance) are projected to remain broadly unchanged. The costs associated with direct country work (bilateral surveillance, lending, and capacity development) is projected to decline by nearly $1 million—not because of reduced staff time devoted to these activities, but rather because of significant savings of $4 million, in total, from the projected central savings (spread across all output categories) and efficiencies in travel expenses implied by a constant deflator.[15] The increase in spending on knowledge and data management initiatives covers mainly the Knowledge Management Unit (KMU) and the economic data registry, aimed at improving the quality of country work, while the net increase in resources for support and governance captures a range of other activities and general services.

Figure 5. Demands and Savings, Impact on Outputs, FY 18
(Millions of FY 17 U.S. dollars)



Source: Office of Budget and Planning.

[15] A table linking the Fund's projected output shifts to the four themes (country engagement, policy work, corporate modernization, and risk and knowledge management) is presented in Appendix V.

18. Finally, in an uncertain economic environment, the budget includes sufficient buffers to cover the first-year costs in the event of a surge in Fund-supported programs. The funds available for unanticipated spending needs total $12 million, including the central contingency of $8 million and the unallocated part of the central carry forward of $4 million. The latter is a residual of the $30 million total carry forward (outside the OED and IEO) after the upfront allocation to departments ($24 million) and departments' own carry forward for their non-staffing underrun (projected at $2 million).[16] This buffer of $12 million appears adequate to cover the first-year response to another major global economic crisis, though with little room to meet any other unforeseen expenses.[17] A persistent increase in program requests would require additional funding in subsequent years.

C. Medium-Term Administrative Funding Needs and Savings Opportunities

19. The administrative budget will need to accommodate additional spending pressures over the medium term. While resource needs tend to crystalize over time in response to the Fund's evolving priorities, some sources of future funding pressure are already apparent, as are some opportunities for savings. Gross structural demands identified at this stage are estimated at $5 million (Table 8). With potential efficiency gains of $3 million, there would be a small net demand of $2 million in FY 19 that could be absorbed by FY 20 through further TransformIT savings. In addition, a number of activities that are financed on a transitional basis in FY 18 will carry over into the subsequent year(s). While not considered permanent, these activities are projected to absorb $13 million in FY 19 and $10 million in FY 20, leaving little room to fund new initiatives, or deal with other unforeseen spending pressures over the medium term.

Table 8. Additional Funding Needs in FY 19 and FY 20 1/
(Millions of FY 17 U.S. dollars)

	FY 19	FY 20
Structural demands	**5**	**5**
Capacity development	2	2
Revenue reductions	3	3
Savings	**3**	**5**
Efficiency gains	3	3
Transform IT	0	2
Net structural demands	**2**	**0**
Transitional demands	**13**	**10**
Country engagement	8	5
Policy work	3	2
Corporate Modernization	2	2
Knowledge and risk management	1	1
Total net demands	**15**	**10**

Source: Office of Budget and Planning.

1/ Above funding included in FY 18 budget.

[16] Total carry forward, including for the OED and IEO, is projected to be about $44 million.

[17] Appendix VI assesses the adequacy of buffers in the proposed FY 18 budget and medium term.

20. At the current juncture, new permanent funding needs are tentatively estimated at $5 million in both FY 19 and FY 20:

- Some $2 million is due to the ongoing expansion of *capacity development* activities in support of the SDGs, and specifically the Financing for Development agenda. Current plans envisage a permanent increase of $30 million (in current dollars) by FY 19, on top of the $10 million expansion planned for FY 18. While the expansion is to be financed externally, there will be an impact on the Fund's budget due to an incomplete recovery of all costs. The magnitude is uncertain, depending not only on the level of external funding, but also on the extent to which cost recovery can be improved. An internal review is ongoing to assess the magnitude of unrecovered costs, and proposals are being developed to help increase cost recovery. Pending completion of this work, projections conservatively assume no significant change in the cost-recovery ratio. In addition, the projections include a further increase in Fund-financed resources for AML/CFT.

- An amount of close to $3 million reflects permanent *revenue losses* from reduced lease income. As foreshadowed in last year's budget discussion, the contract with the World Bank for lease space in HQ2 will expire in FY 19, implying lower receipts in the administrative budget.

21. It is assumed that some of these needs can be met by internal efficiency gains and reallocations of possibly $3 million in FY 19 and an additional $2 million in FY 20. Realizing the efficiency gains will require a combination of internal reallocations and more holistic reviews of certain activities, with a view of delivering them in a more cost-effective way. To this end, a number of working groups with representation of relevant departments will be established in FY 18 to: (i) review the scope, operation, and costs associated with the Annual and Spring Meetings; (ii) assess departmental demands for CSF and ITD services, and propose mechanisms to improve demand management; (iii) develop a strengthened process for capturing savings across the Fund resulting from major IT initiatives; and (iv) identify opportunities for streamlining cross-cutting activities and work practices, more generally. In addition, while further savings generated from the TransformIT initiative are projected to be minor in FY 19, they are anticipated to reach $2 million in FY 20.

22. Already identified transitional spending needs amount to $13 million in FY 19 and $10 million in FY 20. They reflect activities that are funded on a transitional basis in FY 18 and anticipated to carry over into the subsequent year(s):

- More than half of these activities will support country engagement, including work on new programs and ongoing support to country teams on the mainstreaming of macro-financial surveillance and international taxation. The drop between FY 19 and FY 20 assumes that some of this work will diminish over the medium term, but this will need to be reassessed in subsequent budget discussions. On the other hand, some funding needs are assumed to persist through the medium term, such as additional support for FSAPs, and may eventually prove permanent.

- The additional demands are split in roughly equal parts between continued policy work in the priority areas identified for FY 18 and corporate needs, including for security.

23. To summarize, additional structural needs and more significant transitional demands have already been identified as claims on future budgets:

- On the structural side, a small net claim of $2 million will need to be met in FY 19, but could be offset in FY 20 by prospective TransformIT savings.
- As for transitional needs, of the $24 million to be provided in FY 18, some $13 million and $10 million are projected to be carried over into FY 19 and FY 20, respectively.

Thus, unforeseen spending pressures, emanating, for example, from a sustained increase in program requests, as discussed earlier in this paper, or new policy initiatives to better serve the membership, would put significant strains on the administrative budget over the medium term.

D. FY 18–20 Capital Budget

24. Approval is sought for $66 million of capital funding in FY 18, an increase of $5 million over the FY 18 envelope assumed in the FY 17–19 Medium-Term Budget (Table 9)**.** The main driver for this increase is higher information technology (IT) investments needed to fund several strategic initiatives and life-cycle replacements over the coming years. Indicative amounts for the outer years are in line with previous projections, but more front-loaded reflecting the cyclical nature of those investments.

Table 9. Medium-Term Capital Budget, FY 17–20
(Millions of FY 17 U. S. Dollars)

	Approved	Proposed	Estimated	
	FY 17	FY 18	FY 19	FY 20
Total	**61.0**	**66.4**	**74.1**	**59.8**
Building Facilities	**33.0**	**31.4**	**38.1**	**28.1**
Of which:				
Furniture 1/	11.0	7.0	12.3	6.8
Audio Visual 1/	5.0	6.9	6.9	4.9
Other lifecycle replacement 1/	1.6	3.6	3.5	2.5
HQ Security improvements	9.0			
Other	6.4	13.9	15.4	13.9
Information Technology	**28.0**	**35.0**	**36.0**	**31.8**
Of which:				
Infrastructure end-of-life 1/	10.0	13.0	11.6	7.6

Sources: Office of Budget and Planning, and departments for Corporate, Services and Facilities, and Information Technology.
1/ Long-term plans for facilities lifecycle replacements and IT end-of-life are shown in Appendix VII.

Building Facilities

25. The total FY 18–20 facilities capital plan is broadly unchanged from the FY 17–19 capital plan. The proposal for building facilities includes the typical planned expenditures for major repairs and improvements. Improvements to the physical security of the headquarter buildings—approved last year on the basis of recommendations from an external security consultant's review—are in progress and will not require additional appropriations at this stage. Projects to replace building components that have reached the end of their useful life can be anticipated based on periodic Facilities Condition Assessments, and include: the approved replacement of HQ1 furniture, audio visual equipment, and other HQ1 and HQ2 equipment. Other projects for facilities improvements include upgrades to the HQ1/HQ2 tunnel, furniture for the HQ1 atrium and gallery, refitting the 9th floor of HQ2 upon the termination of the lease with the World Bank, and other minor renovations.

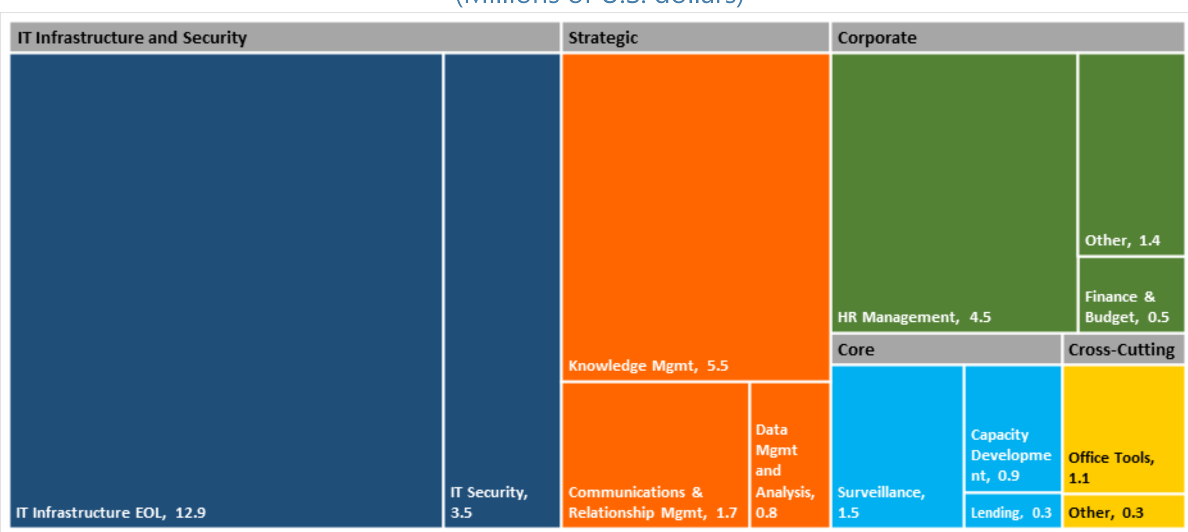
26. The proposal does not include any new requests for the HQ1 renewal project. The HQ1 renewal project is a challenging undertaking, and is being carried out under close oversight. At this time, the budget resources that have already been approved are expected to be sufficient to complete the project. Updates and progress on the HQ1 renewal will continue to be reported separately on a quarterly basis.[18]

Information Technology

27. Of the proposed IT capital budget, almost 40 percent would be used for end-of-life replacements for desktop and laptop computers, servers and storage equipment, network equipment, and mobile devices. This is in keeping with a proactive end-of-life strategy that ensures the infrastructure backbone supporting all other IT capabilities is sufficiently robust. Remaining investments will be allocated to core, strategic and corporate business capabilities (Figure 6). *Core capabilities,* which can be mapped directly to the ACES outputs, provide direct benefits to the membership in the areas of surveillance, lending, and CD, while *strategic capabilities* position the institution for the future (knowledge management, data management and analysis, and communications and relationship management). *Corporate capabilities* are essential for running the Fund, but are not unique to the Fund (e.g., HR management, finance and budget). Capital IT investment decisions are guided by the Committee on Business and Information Technology (CBIT), an inter-departmental group of senior staff.

Figure 6. IT Capital Budget Initiatives by Business Capability, FY 18

(Millions of U.S. dollars)



Source: Office of Budget and Planning and Information Technology Department.

Note: Unspent and un-earmarked IT capital funds that will carry over into FY 18 provide flexibility to augment critical HR and knowledge management initiatives where cost estimates are still uncertain.

[18] The HQ1 Renewal Program was funded through separate appropriations made in FY 12 (*FY2012–FY2014 Medium-Term Budget*), FY 13 (*FY2013–FY2015 Medium-Term Budget*), and FY 16 (see HQ1 renewal program factsheet). Quarterly updates are provided to the Executive Board on project activity.

28. In FY 18, work will commence or continue on several large projects supporting the knowledge management and TransformIT initiatives. The size, complexity and critical nature of the systems will require a multi-year implementation schedule covered in the medium-term budget estimates. Investments will be made, *inter alia*, in the following areas:

- *Replacing the human resource system*, which is over 20 years old and very costly to maintain. Given the need to proceed quickly, a project is being developed under an accelerated timeline. It is anticipated that a software package will be selected in FY 18 and implementation will begin shortly thereafter. From a business perspective, this should offer an opportunity to significantly simplify the HR processes.

- *Upgrading the existing document management system*, which is a dependency for the PC refresh project taking place in FY 18.

- *Implementing technologies to strengthen knowledge management* through a multi-faceted approach. Several different initiatives are proposed to strengthen knowledge management, including technologies to improve search capabilities, to enable knowledge sharing (including people/skills information) and ease the burden of categorizing information.

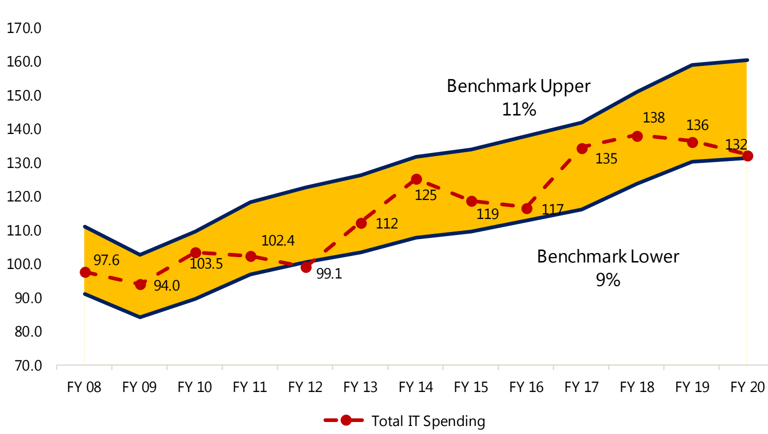
- *Continuing to identify and remediate information security vulnerabilities,* including vulnerabilities in critical infrastructure components, applications, and mobile devices.

In the steady state, when the proposed IT capital projects are fully implemented, the recurrent IT costs to support this portfolio of projects is estimated to total about $1.1 million.

29. The Fund's total IT costs—capital and administrative—are projected to remain within the comparator benchmarking norms of 9–11 percent of the total budget envelope (Figure 7). While rising to about 10 percent of the budget in FY 18, the expected leveling off over the medium term would bring IT spending back to the low end of the benchmark by FY 20.

Figure 7. IT Spending, FY 08–20 1/

(Millions of U.S. Dollars)



FY 18 IT Benchmark	
(Millions of U.S. dollars)	
Total IT spending	138.1
Administrative	102.3
Capital	35.8
(Percent)	
IT spending/total spending	10.1
Benchmark	9-11

Source: Office of Budget and Planning and Information Technology Department.
1/ FY 08–16 is outturn, FY 17 is estimated outturn, FY 18–20 is budget.

30. In the future, some costs are expected to shift from the capital to the administrative budget. This will occur as cloud and managed service investments are increasingly adopted and as projects to strengthen the Fund's IT environment, initially funded from the capital budget, reach maturity and must now be maintained in the administrative budget. So far, it has been possible to accommodate the relatively small net impact of these developments within the flat administrative budget envelope. This approach will be kept under review going forward, as the magnitude of the impact on the administrative budget evolves.

Financial Treatment

31. The impact of capital expenditures on the Funds net income varies, depending on the nature of the investment. The expenditures for some projects are reflected in net income when the cost is incurred (i.e., expensed), while the expenditures for other projects are capitalized and recognized over the specified useful life (i.e., depreciated). Table 10 provides the financial treatment and impact on income of the capital investments proposed for FY 18.

Table 10. Financial Treatment of Capital Projects with FY18 Funding 1/

(In millions of U.S. dollars)

	Period Over Which Expenses are Recognized							
Asset Category	Expensed	3 years	5 years	7 years	18 years	20 years	27 years	Total
FY 18 Capital Appropriations	18.8	17.0	5.2	18.9	1.5	1.7	3.3	66.3
Building Facilities Projects 2/	6.1			18.9	1.5	1.7	3.3	31.4
Information Technology Projects	12.7	17.0	5.2			--	--	34.9
Feasibility Studies/In-House Development	12.7	--	--	--	--	--	--	12.7
Hardware - Equipment	--	14.0	--	--	--	--	--	14.0
Software - Upgrades/Purchases	--	3.0	5.2	--	--	--	--	8.2

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 18 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: 27 years for HQ1 (extended due to HQ1 Renewal), 25 years for Concordia; and 18 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. Financial treatment is re-examined after funds are allocated to projects.

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

E. Summary Proposal for FY 18

32. Table 11 summarizes the proposed appropriations for FY 18. Following past practice, separate appropriations and expenditure ceilings are proposed for the Offices of the Executive Directors (OED), the Independent Evaluation Office (IEO), and other administrative expenditures in the Fund. Consistent with the broad endorsement by the Committee on Administrative Matters, the proposed appropriation for the OED reflects an unchanged net administrative budget envelope in real terms, subject to approval by the Executive Board. For the IEO, the Executive Board has endorsed the Evaluation Committee's recommendation for an unchanged envelope in real terms, on a lapse of time basis.

Table 11. Proposed Appropriations, FY 18
(Millions of U.S. dollars, unless otherwise noted)

	Other	OED	IEO	Total
Net administrative budget	1,024.9	72.5	6.2	1,103.6
Receipts	209.8	1.3	-	211.1
FY 18 carry forward (upper limit)	29.9	14.1	0.3	44.3
Total gross expenditures (limit)	1,264.6	87.9	6.5	1,358.9
Capital budget for projects starting in FY 18				66.4
Information Technology				35.0
Building facilities				31.4
Memorandum items:				
FY 17 Net administrative budget	996.0	70.4	6.0	1,072.5
FY 17 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.

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 2018

A. Appropriations for net administrative expenditures for Financial Year 2018 are approved in the total amount of US$1,103.6 million, of which: (a) up to US$72.5 million may be used for the administrative expenditures of the Offices of Executive Directors, (b) up to US$6.2 million may be used for the administrative expenditures of the Independent Evaluation Office, and (c) up to US$1,024.9 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 2017 that have not been spent by April 30, 2017 are authorized to be carried forward and used for administrative expenditures in Financial Year 2018 in a total amount of up to US$44.3 million, with sub limits of (a) US$14.1 million for the Offices of Executive Directors, (b) US$0.3 million for the Independent Evaluation Office, and (c) US$29.9 million for the other administrative expenditures of the Fund.

C. A limit on gross administrative expenditures in Financial Year 2018 is approved in the total amount of US$1,358.9 million, with sub limits of (a) US$87.9 million for the administrative budgets of the Offices of Executive Directors, (b) US$6.5 million for the administrative expenditures of the Independent Evaluation Office, and (c) US$1,264.6 million for the other administrative expenditures of the Fund.

Decision No. 2: Capital Budgets for Projects Beginning in Financial Year 2018

Appropriations for capital projects beginning in Financial Year 2018 are approved in the total amount of US$66.4 million and are applied to the following project categories:

(i) Building Facilities: US$31.4 million

(ii) Information Technology: US$35.0 million

Appendix I. Key Budget Concepts and Deflator Methodology

Financial year (t): **May 1(t-1) to April 30(t)**
E.g., FY 17 = May 1, 2016 to April 30, 2017

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

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, 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

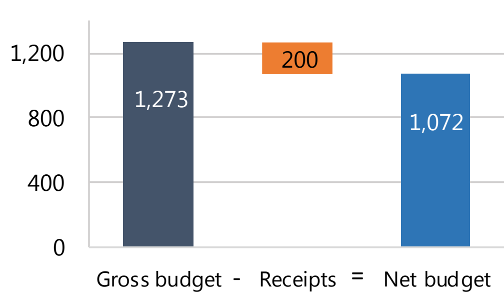
Global external deflator:
Price index applied to administrative budget (formulated in real terms) to obtain nominal budget. It is calculated based on two components:

- 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).

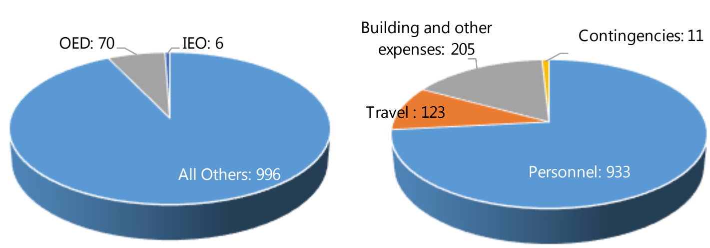
Capital budget:
Used to finance one-off investments in information technology and building improvements and repairs. Given the long-term nature of these projects, capital budgets are available for a period of three years, after which time unspent appropriations lapse.

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 17 Administrative Budget (Millions)



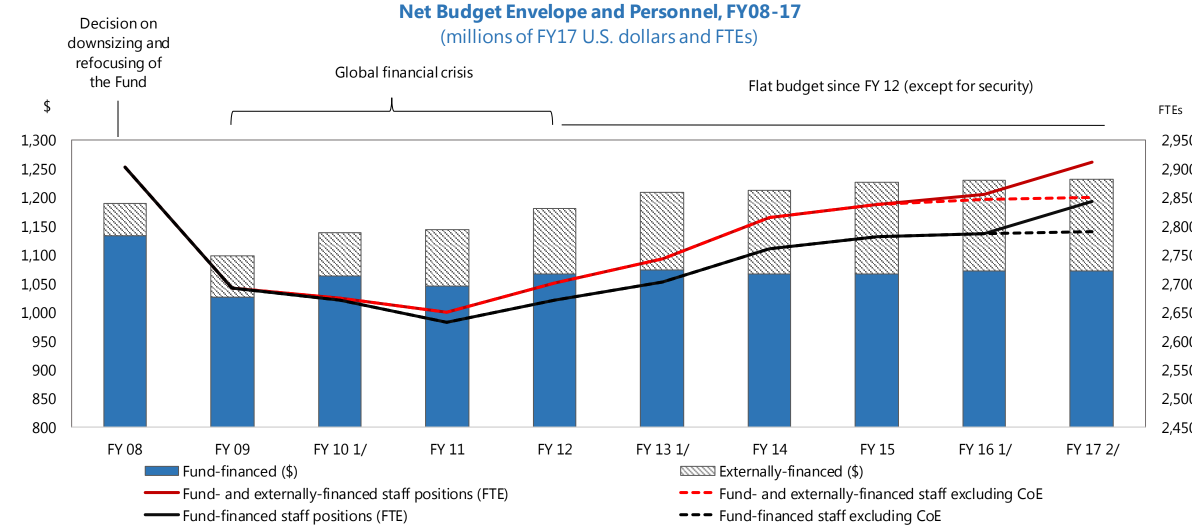
Composition of Gross Spending, FY 17 (Millions)
(Including donor-financed capacity development)



Appendix II. Budget Evolution

Faced with a difficult and fast-changing global economy, the size and shape of the Fund's budget has changed considerably during the past several years.

Overall budget trend. Very low lending (and income levels) in FY 08 prompted a downsizing exercise of some 13 percent. The confluence of the downsizing and the eruption of the global financial crisis required a temporary allocation of 5 percent to meet crisis needs and a 3 percent structural increase in FY 12 to recognize the Fund's enhanced mandate. As the work shifted over time from crisis resolution to crisis prevention, the temporary resources were effectively absorbed to meet evolving priorities and new demands. Still, with about 45 percent of the downsizing savings preserved, the Fund's resource envelope has remained significantly below its pre-crisis level.



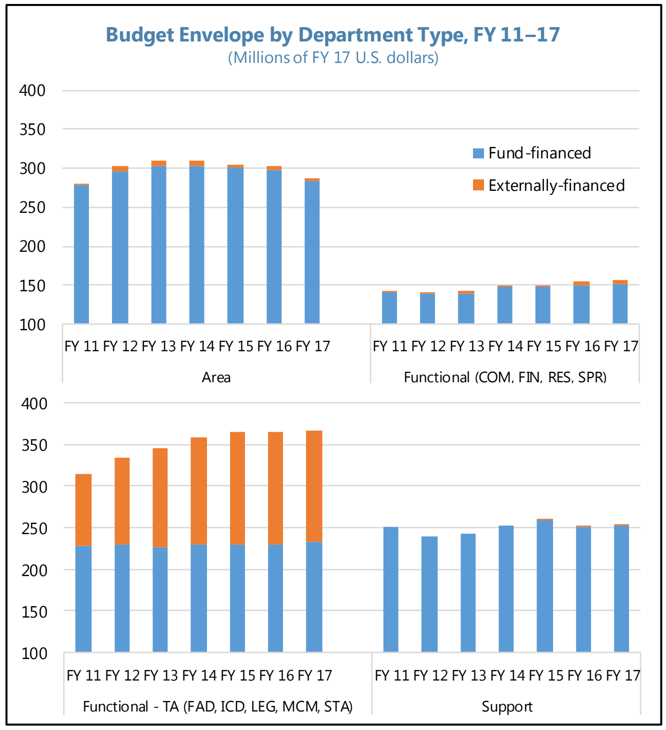
Net Budget Envelope and Personnel, FY08-17
(millions of FY17 U.S. dollars and FTEs)

Source: Office of Budget and Planning.
1/ Includes additional resources for Annual Meetings held abroad.
2/ Includes $6 million earmarked for security.

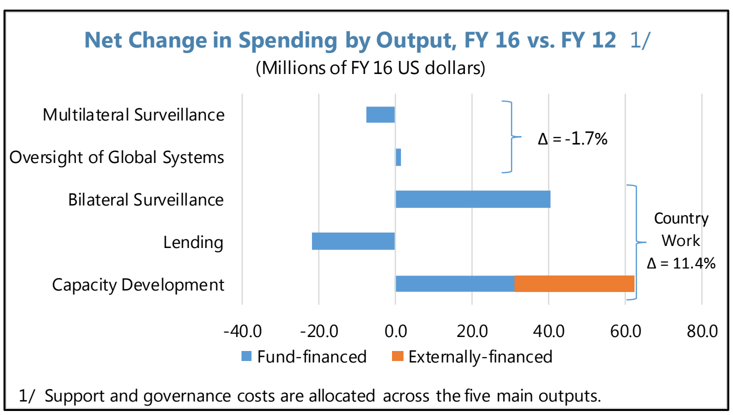
Reallocation. Even though the budget was flat in real terms between FY 12 and FY 16, some 120 additional staff positions were created from savings, achieved through a variety of measures, including adjustments in benefits, not applying a deflator to travel budgets, the release of central margins, and 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.

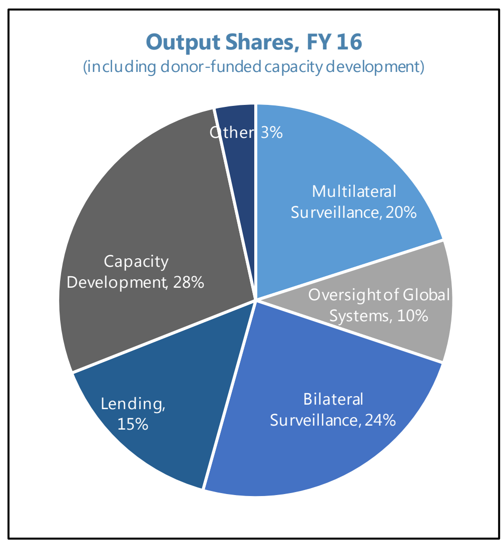
[1] The Board paper *FY2017–FY2019 Medium-Term Budget* provides additional details.

Budget by department type. Resources have been reallocated across departments to respond to changing needs. Since FY 11, Fund-financed resources have largely shifted to area and functional departments (SPR, RES, FIN, and COM), with the drop in FY 17 of resources in area departments being strictly due to a shift in the payment of overseas allowances from departmental budgets to central accounts. Technical assistance 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 training needs, have contributed to a small reallocation of resources back to support departments.



Spending by output. Since FY 11, the Fund's Analytic Costing and Estimation System (ACES) has been used to track spending on the Fund's outputs. ACES considers labor and other costs directly associated with producing the outputs, and allocates Fund-wide support and governance costs. The evolution of output spending reflects the continued shift from crisis resolution to crisis prevention. Since FY 12, the share of work on lending activities has fallen by 3 percent and Multilateral Surveillance by 2 percent. Resources were redirected to Bilateral Surveillance, which is risk-based with higher resources for vulnerable countries. Also, the share of resources for capacity development activities, both internally- and externally-financed, has increased.





Appendix III. Projected FY 17 Outturn

This appendix provides an overview of the projected spending for FY 17 based on information available through the first three quarters. This also includes an overview of capital investments related to major building works, building facilities, and information technology.

Budget utilization is projected to be high at 99 percent. Over the past few years, budget utilization has steadily improved mainly because of the release of previously unspent central margins, the flexibility to hire above FTE limits within allocated budgets, and most recently, the larger upfront allocation of carry forward funds to help meet transitional needs. At the end of FY 17, most departments are projected to be fully staffed, with travel spending close to planned levels and spending on building operations and other services expected to be slightly higher than planned, mainly as a result of additional security costs incurred at high-risk locations and delays in realizing certain savings from TransformIT. Receipts are projected to be below budget, mainly due to lower-than-planned income from the Concordia and cost sharing agreements, as well as operational delays in externally-financed capacity development (CD) activities. Details on actual spending, including the delivery of CD activities, will be covered in the FY 17 budget outturn paper.

Net Administrative Budget, FY 16–17
(Millions of U.S. dollars)

	FY 16		FY 17					
	Budget	Outturn	Budget			Estimated Outturn		
	Total	Total	Fund-financed	Externally-funded	Total	Fund-financed	Externally-funded	Total
Gross expenditures	**1,247**	**1,215**	**1,112**	**160**	**1,272**	**1,095**	**151**	**1,246**
Personnel	907	896	824	108	933	820	99	919
Travel	130	120	83	40	123	78	40	117
of which: Annual Meetings	5	…	…	…	…	…	…	…
Buildings and other expenses	200	199	194	11	205	198	12	210
Contingency 1/	10	…	11	…	11	…	…	…
Receipts	(196)	(176)	(40)	(160)	(200)	(35)	(151)	(186)
Net expenditures	**1,052**	**1,038**	**1,072**	**0**	**1,072**	**1,060**	**0**	**1,060**
Memorandum items:								
Carry forward from previous year	42		43					
Total net available resources	1,094		1,115					

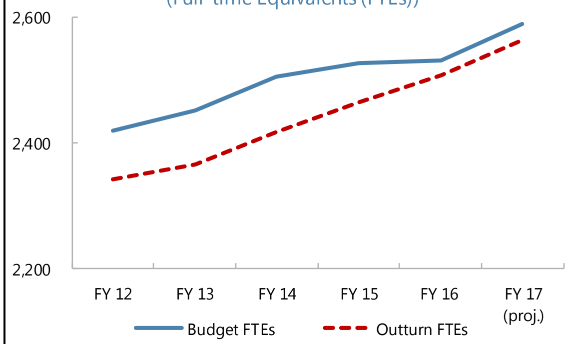
Sources: Office of Budget and Planning and PeopleSoft Financials.
Note: Figures may not add to totals due to rounding.
1/ Represents the contingencies for staff, OED and IEO.

A. Personnel

Fund-financed spending on personnel is projected to end the year close to budget. Most departments are fully staffed as the average vacancy rate has dropped from 1.3 percent in FY 16 to a projected 1 percent, representing a new historical low. Vacancy rates vary among department types, with some projected to temporarily exceed their FTE limits, using the flexibility available to minimize vacancy lags.

Budgeted Staff Positions vs. Outturn, FY 12-17 (Proj.) 1/

(Full-time Equivalents (FTEs))

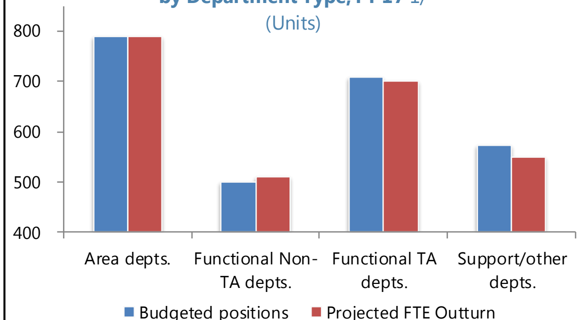


Source: Office of Budget and Planning.
1/ Fund-financed as of December 31, 2016.

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 is largely the result of turnover during the year and its effect on grade structure and average salary, as higher salaried staff are replaced with staff whose salaries are below the grade mid-points, causing the average salary to fall below the budgeted average. This erosion provides the room for merit pay, effective July 1 of the following financial year.

Budgeted Staff Positions and Headcount, by Department Type, FY 17 1/

(Units)



Source: Office of Budget and Planning.
1/ Fund-financed only.

B. Travel

Travel expenses are expected to end the year just below budget, as utilization rises to 94 percent, from 88 percent in FY 16. As assumed in the budget, the price of travel has remained unchanged from last year's 5 percent drop in the cost per mile to $0.37, helped by low fuel prices, the Fund's negotiated airline contracts, and improved departmental ticketing practices. As in earlier years, the travel deflator will be held constant also in FY 18. While the volume of travel (excluding trips to the FY 16 Annual Meetings in Lima) has increased in FY 17 in response to deeper country engagement, it is somewhat lower than envisaged in the budget.

Travel, FY 16–17

(Fund-Financed, Millions of U.S. dollars)

	FY 16		FY 17	
				Est.
	Budget	Outturn	Budget	Outturn
Total	**89**	**81**	**83**	**78**
Business	73	65	67	63
Seminars/Participants	5	4	5	3
Settlement	9	9	9	9
Miscellaneous travel	2	3	2	2

Source: Office of Budget and Planning.

Average Cost per Mile, FY 11–17

(U.S. dollars)

	FY 11	FY 12	FY 13	FY 14 1/	FY 15	FY 16	FY 17
Average cost per mile 2/	0.42	0.41	0.39	0.41	0.39	0.37	0.37

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/ Indicator is based on international travel only.

C. Buildings and Other Expenses

Spending on buildings and other services is expected to be higher than budgeted. Increased security costs mostly related to operations in high-risk locations are putting pressure on the combined budget of building occupancy and contractual services. In information technology, there have been delays in some large TransformIT projects that had planned to deliver savings in FY 17, specifically Email in the Cloud and transition of infrastructure support to managed services.

Buildings and Other Expenditures, FY 16–17
(Millions of U.S. dollars)

	FY 16		FY 17	
	Budget	Outturn	Budget	Est. Outturn
Total buildings and other expenses	**200**	**199**	**205**	**210**
Fund-financed	*187*	*191*	*194*	*198*
Building occupancy	56	58	56	60
Information technology	60	59	61	63
Contractual services	32	32	38	36
Subscriptions and printing	20	20	19	19
Communications	7	8	7	7
Supplies and equipment	7	6	6	6
Other	5	8	5	6
Externally-financed	*12*	*8*	*11*	*12*

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

D. Receipts

Receipts from externally-financed capacity development activities and Fund-financed operations are expected to be about $14 million below budget. The main factor for the projected shortfall is that CD activities are lower than planned. This was a consequence of security concerns in high-risk locations, some operational delays, as well as slower project implementation. General receipts are also expected to be lower than planned, mainly because of the recently renegotiated service agreement with the World Bank, as well as lower-than-planned Concordia income.

Receipts, FY 16–17
(Millions of U.S. dollars)

	FY 16		FY 17	
	Budget	Outturn	Budget	Est. Outturn
Total	**196**	**176**	**200**	**186**
Externally-financed capacity development (direct cost only)	157	142	160	151
General receipts	39	34	40	35
Of which:				
Administrative and trust fund management fees 1/	11	10	11	11
Publications income	2	2	2	2
Fund-sponsored sharing agreements 2/	5	3	5	3
HQ2 lease 3/	4	4	4	4
Secondments	1	1	1	1
Concordia apartments	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.

E. Capital Investments

Capital expenditures for FY 17 continue on major renovations of the HQ1 building, information technology, and other building facilities improvements. The **HQ1 Renewal Program** has continued to progress, with most public spaces, cafeteria and office space on the third and fourth floors delivered, and construction well underway on the fifth, sixth, and seventh floors. At the same time, uncertainties remain about the ability of the general contractor to deliver the project in a timely fashion, which could have repercussions on the budget. Updates on the status of the program are provided quarterly to the Executive Board. Under **building facilities,** the majority of estimated expenditures are for the Audio Visual Improvement (AV) Program, which is coordinated with the HQ1 Renewal schedule. As construction progresses, floors are being returned for occupancy complete with enhanced AV functionality in conference rooms and other meeting venues. The new Innovation Lab, located near the new gallery space, was also completed as a way to promote a culture of innovation and help find new and better ways to deliver on the Fund's mandate. Also, feasibility studies are underway regarding proposed security improvements to the HQ buildings, for which $9 million was approved in FY 17. **Information technology** projects this year focus primarily on improvements in data management, strengthening information security and improvements in IT service delivery and infrastructure management.

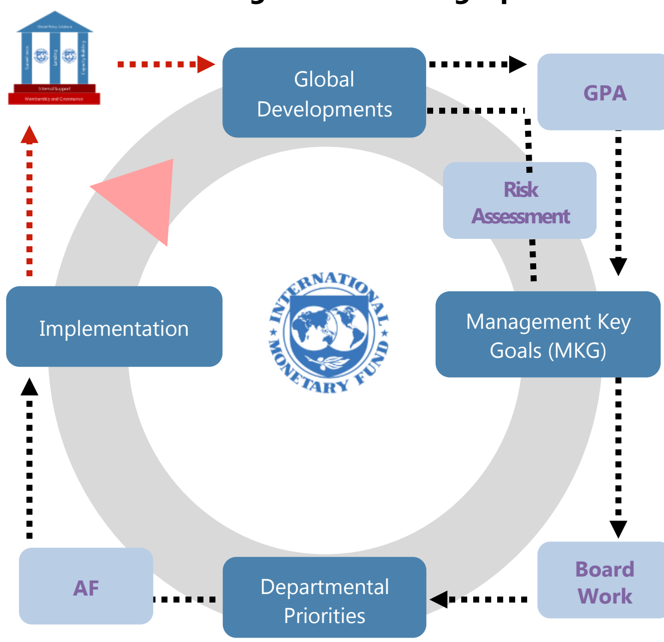
Capital Expenditures, FY 17
(Millions of U.S. dollars)

	Facilities	IT	HQ1 Renewal	Total
FY 17 Budget Appropriations	32.5	28.0	0.0	60.5
+ Unspent FY 15 and FY 16 Funding	29.4	14.7	259.2	303.3
= Total funds available in FY 17 1/	61.9	42.7	259.2	363.8
Expenditures FY 17 (Est.)	15.3	35.0	77.9	128.2

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 IV. Strategic Planning Framework and Accountability Cycle

The annual planning cycle starts with the elaboration of Management's strategic priorities in the context of the Global Policy Agenda (GPA). Drawing on the GPA and the Fund's periodic institutional risk assessment, Management then translates **institutional objectives into Management's Key Goals (MKGs)** for the coming financial year (below). The GPA and guidance from the IMFC are embodied in the Executive Board's Work Program.



The next phase of the planning process is structured around the Accountability Framework (AF), which provides for discussions between Heads of Departments and Management on key departmental objectives, including on budget and HR priorities. In this context, MKGs help align departmental objectives with broader institutional objectives.

Budget formulation flows from this strategic planning framework, with the overall envelope and resource allocation set to ensure the delivery of the institution's priorities.

Within the AF process, Management holds semi-annual discussions with each departmental senior management team to discuss progress made on current strategic priorities and to review performance against budget and people management indicators. New goals and targets are also discussed for the period ahead.

The AF has evolved over the years to further strengthen strategic focus, transparency and accountability. In FY 14, a review of the initial experience resulted in greater focus on joint deliverables as well as setting traffic lights and targets for a number of budget and people indicators to enhance monitoring and performance. In FY 15, departments were asked to submit separate requests for new needs and proposals for savings, with the main savings measures included in departments' AF objectives. In FY 16, the AF was further enhanced by asking departments to define, within their budget envelope, those projects and activities that they could delay, or scale back in the event of unanticipated demands or pressures. Clarifying these **contingency measures** upfront is geared towards facilitating a quick reallocation of resources within the year should priorities change—for example, in response to an unexpected increase in the number of program requests. Beginning with the planning for FY 18, departments were asked to identify **risk mitigation measures** as part of their AF objectives. These measures are intended to respond directly to risks identified in the Risk Report.

Management's Key Goals for FY 18

Provide policy solutions for our membership

1. Use all levers to revive demand and raise growth
2. Offer tailored cutting-edge policy analysis
3. Bolster growth and stability in low-income and fragile economies
4. Promote policies for inclusive growth
5. Strengthen financial systems to support growth
6. Integrate work on long-term global challenges
7. Remain a global thought leader

Improve our core outputs

8. Sharpen our dialogue with countries
9. Enhance consistency of multilateral messages
10. Review the global financial safety net
11. Strengthen capacity development
12. Improve sharing of best practices

Create an enabling environment for staff

13. Strengthen people management and provide for a safe and inclusive workplace
14. Manage resources more efficiently

Strengthen governance and boost resources

15. Advance quota reform
16. Maintain adequate financial capacity
17. Manage risks in a more systematic way

Appendix V. Outputs and Themes, FY 18

Net Resource Change by Output and Theme, FY 18
(Millions of FY 17 U.S. dollars)

	Multilateral Surveillance	Oversight of Global Systems	Bilateral Surveillance	Lending	Capacity Development	Support and Governance	Total
Country Engagement	**(0.3)**	**(0.7)**	**(1.4)**	**1.2**	**0.4**	**1.3**	**0.4**
Intensifying country work	(0.1)	-	(1.6)	2.6	-	-	0.8
Field Presence	(0.0)	-	(0.4)	(1.4)	-	-	(1.9)
Financial sector	0.2	-	(0.7)	-	0.1	-	(0.4)
Fiscal sector	-	-	-	0.1	-	-	0.1
Macro-structural	0.1	-	0.2	-	-	-	0.3
Capacity Development (incl. AML/CFT)	-	(0.0)	0.2	-	0.3	-	0.5
Outreach and events	(0.3)	-	-	-	-	1.3	0.9
Other	(0.1)	(0.7)	0.9	(0.1)	-	-	0.0
Policy Work	**1.1**	**0.8**	**0.2**	**(0.6)**	**0.1**	**0.1**	**1.7**
Financial sector	(0.9)	0.4	(0.2)	-	-	-	(0.6)
Structural issues and new challenges	2.2	(0.3)	0.2	-	0.1	-	2.3
Fiscal space	0.1	-	0.1	-	-	-	0.2
Other policy issues	0.2	0.5	-	-	-	-	0.7
Role of the Fund	(0.6)	0.2	-	(0.6)	-	(0.1)	(1.0)
Outreach	-	-	-	-	-	0.2	0.2
Corporate Modernization	**(0.8)**	**(0.6)**	**(1.0)**	**(0.1)**	**(0.3)**	**3.3**	**0.5**
Corporate Services (IT, HR, other non-security)	-	0.0	-	0.5	0.2	3.7	4.5
Security Services	-	(0.1)	-	-	0.1	0.0	0.0
Savings (travel deflator, central savings)	(0.8)	(0.5)	(1.0)	(0.6)	(0.7)	(0.4)	(4.0)
Knowledge and Risk	**0.1**	**0.8**	**-**	**0.6**	**0.2**	**6.1**	**7.7**
Knowledge management and data	(0.0)	1.0	-	0.2	0.2	5.4	6.8
Risk management/mitigation	0.2	(0.2)	-	0.4	-	0.6	0.9
Grand Total	**0.1**	**0.2**	**(2.2)**	**1.2**	**0.4**	**10.7**	**10.3**

Source: Office of Budget and Planning.

Appendix VI. Adequacy of Budgetary Buffers

This appendix assesses the adequacy of buffers in the proposed FY 18 budget, comprising the central contingency ($8 million) and unallocated carry-forward funds ($4 million) that are potentially available to departments and the center to cope with unanticipated shocks. It concludes that these buffers appear sufficient to meet short-term funding needs, even in the event of a significant worsening of global economic conditions. However, a persistent and severe crisis would require additional funding in subsequent years.

The Fund's ability to respond swiftly and effectively to global economic challenges is critical for the pursuit of its mandate as an economic "firefighter." To assess the adequacy of existing buffers, a crisis scenario is simulated, gauging the budget impact of a significant increase in program requests. The specific assumptions correspond to a "high-risk" scenario, implying 32 additional Fund-supported programs beyond those included in the FY 18 budget proposal. The shock would be very severe, with the number of programs (75) exceeding even the peak of the global financial crisis (63).

The increased workload would absorb an additional 86 FTEs, using the parameters of the existing area department staffing model, augmented by higher support from functional departments. Realistically, the increased demands on the Fund, including staff, travel, and new field posts, would not occur at once, but evolve gradually. For the purpose of the simulations, it is assumed that program requests would increase gradually during FY 18 with all programs in place by the first half of FY 19. The opening of new field offices would occur with a further 6-month delay.

The first-year spending impact would also depend on the extent to which other work can be reduced, and how quickly new staff can be recruited to avoid sharply higher overtime. Without any re-prioritization of work, and an immediate ramping up of recruitment as new programs are being phased in, 67 (mostly) economist staff would have to be hired in FY 18, on top of 50–60 needed to replace separating economists, implying a cost of $12 million above the baseline (text table), thus absorbing the entire buffer. More likely, however, hiring could not be ramped up as quickly. Instead, departments would have to cut other work, and understaffed program teams would need to increase their overtime. To facilitate such a reprioritization effort, departments have identified contingency measures—activities that can be cut or postponed in FY 18—averaging about 2 percent of their budgets. In the case of a severe crisis, it is assumed that these efforts would be intensified. Freeing up 3 percent of economists' time in the most affected departments (area

First Year Impact of Crisis Under Alternative Assumptions for Reprioritization and Overtime

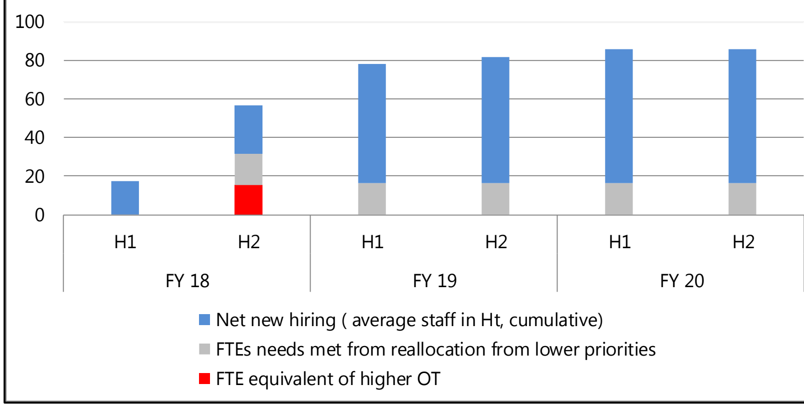
	In FTEs (annual average)	In FTEs (end-year)	In millions of FY17 USD
No reprioritization or increase in overtime	37	67	12.0
Reprioritization of 3 percent by H2 1/	29	51	9.9
Reprioritization plus 5 percent additional overtime by H2 1/ 2/	21	43	8.0

1/ Base for reprioritization is the total time of A11-A14 economists working in area departments and SPR.
2/ Base for overtime is the time of all staff working on program countries.

departments and SPR) through extensive reprioritization, would reduce recruitment needs (above the replacement hiring) from 67 to 51 staff in FY 18, and lower the funding needs to $9.9 million. A more conservative assumption on the ability to speed up recruitment would require additional overtime beyond current levels for staff working on crisis countries. For example, if only 43 staff could be hired additionally in FY 18, crisis teams would have to increase their overtime by 5 percentage points, while short-term funding needs would fall to $8 million. This would fully absorb the central contingency, but leave the unallocated carry-forward funds of $4 million to meet any other unforeseen expenses.

While existing buffers would thus appear sufficient to meet the first-year impact of a severe crisis, additional funding would be needed in the subsequent years. The assumed phasing in of program requests would imply the need for additional resources in FY 19 and FY 20. Assuming that the 3 percent reprioritization of work continued throughout the crisis period, another 26 staff (above the replacement hiring) would be needed by FY 20 to address the increased workload and bring overtime back to pre-crisis levels. Higher travel and new field offices would also need to be funded, and the central contingency restored (though perhaps only later).

Simulation of Fund-Wide Impact of Severe Crisis
FTE Needs



The total annual funding needs for FY 19 and FY 20 under such a scenario would be in the range of $32–34 million—somewhat lower in FY 19 if the contingency is not replenished (text table). An alternative scenario, in which the number of programs would reach 63—the peak during the global financial crisis—would imply lower net additional funding needs of about $20 million in FY 19–20.

Crisis Scenario - Financing Needs Above FY 18-20 Baseline

	FY 18		FY 19		FY 20	
	H1	H2	H1	H2	H1	H2
	(In millions of FY 17 US dollars)					
Salaries for new staff	2.2	3.1	7.8	8.3	8.7	8.7
Additional Travel	0.2	0.7	0.9	0.9	0.9	0.9
New RR posts, and allowances 1/	0.0	1.7	3.4	5.1	6.8	6.8
Replenishment of contingency	0.0	0.0	8.0	0.0	0.0	0.0
Total budget impact	**2.5**	**5.5**	**20.0**	**14.2**	**16.4**	**16.4**
Memorandum item:						
Financing from contingency	2.5	5.5	0.0	0.0	0.0	0.0

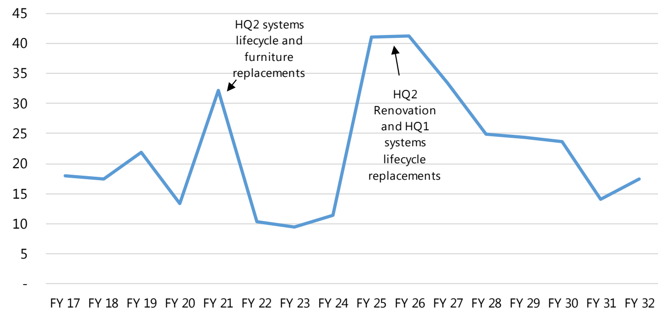
1/ Phased in with 6 months delay. Excludes salary of Resident Representative which is included in salaries for new staff.

Appendix VII. 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 as needed each year as part of the budget formulation process.

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, which is informed by periodic, third-party Facilities Condition Assessments of the Fund's physical assets, forms the baseline for the requested budget. Planned expenditures may shift from year-to-year as updates are made to reflect earlier required replacements or deferrals for projects that can be delayed. Additional projects for facilities improvements, proposed by Corporate Services and Facilities staff and vetted by the Office of Budget and Planning, are included to form the medium-term budget request, but are not included in the long-term plan as they are more difficult to predict.

Facilities Capital Plan, FY 17-32 1/
(Millions of FY 17 U.S. dollars)

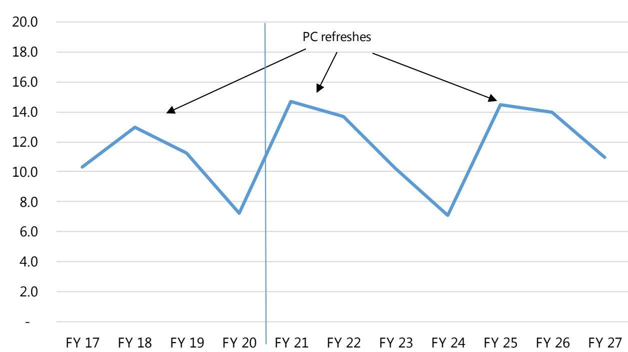


Source: Corporate Services and Facilities Department.
1/ Includes life-cycle replacements and major renovation of HQ2 building in FY 25-27.

IT infrastructure is the component of the IT capital budget that has a regular replacement cycle and can be predicted with some degree of confidence. This is in contrast to other IT expenditures, where long-term plans are highly uncertain, owing to the rapid changes in the IT industry and the constantly shifting environment. The governance process ensures that critical IT infrastructure investments will not have to compete for funding with IT security or software and systems applications projects.

The long-term IT capital plan was developed with a 10-year view, which was deemed to best balance the need to be transparent with the recognition that the fast pace of technological change introduces significant uncertainty. It reflects the cyclical patterns inherent in IT infrastructure investments and provides advance signaling for the timing of major IT hardware and infrastructure replacements and upgrades. The Fund follows industry best practices to guide decisions and considers the following primary factors in determining the lifecycle replacements of network, server and storage equipment: (i) vendor

IT Infrastructure Capital Plan, FY 17-27
(Millions of FY 17 U.S. dollars)



Source: Information Technology Department.

support policies, (ii) technical obsolescence, (iii) useful operating life, and (iv) operating cost. Replacement cycles for desktops, laptops and mobile devices follow a similar approach. As shown in the figure, peak spending is related to the life-cycle replacement of desktop and laptop computers. This equipment is replaced every three years, on average, although replacement will be delayed if performance is not degrading at the end of the three-year useful life. Typically, the replacement of desktops and laptops is split over two years to facilitate the process and smooth the cost. With the infrastructure plan as the basis, the budget for IT security and systems development projects are included to form the medium-term IT capital proposal.

Statistical Appendix. Budget Input and Output Indicators

Table 1. Administrative Budget, FY 12–17
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Personnel	820	799	835	802	861	829	896	862	907	896	933	919
Travel	112	105	125	119	123	117	128	112	130	120	123	117
Buildings and other expenses	181	178	181	180	190	203	193	204	200	199	205	210
Contingency 1/	11	0	18	0	12	0	7	0	10	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**	**1,272**	**1,246**
Less: Receipts	138	135	161	154	179	160	197	167	196	176	200	186
Total Net Expenditures	**985**	**947**	**997**	**948**	**1,007**	**988**	**1,027**	**1,010**	**1,052**	**1,038**	**1,072**	**1,060**
Memorandum item:												
Carry Forward	*34*		*41*		*42*		*42*		*42*		*43*	

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 12–17
(Millions of U.S. dollars)

	FY 12		FY 13 1/		FY 14		FY 15		FY 16 1/		FY 17	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Expenditures	**112**	**105**	**125**	**119**	**123**	**117**	**128**	**112**	**130**	**120**	**123**	**117**
Business travel	87	82	98	95	94	91	100	87	104	92	98	95
Transportation	87	48	98	54	94	52	100	48	104	50	98	49
Per diem	…	34	…	41	…	39	…	39	…	42	…	46
Seminars & other	14	11	16	13	18	14	17	15	15	17	14	12
Other travel	11	11	11	11	11	12	11	10	12	11	12	11

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 Expenditures, FY 12–17
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Buildings and other expenses	**181**	**178**	**181**	**180**	**190**	**203**	**193**	**204**	**200**	**199**	**205**	**210**
Building occupancy	57	56	58	57	58	62	60	61	59	60	59	63
Information technology	43	46	47	47	54	59	57	60	60	59	61	64
Subscriptions and printing	17	17	19	18	20	19	20	20	20	20	19	20
Communications	10	9	10	9	8	9	7	9	7	8	7	8
Supplies and equipment	8	9	7	8	9	8	6	7	8	6	6	6
Miscellaneous 1/	46	41	41	41	42	46	42	47	46	46	52	50

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. Receipts, FY 12–17
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Receipts	**138**	**135**	**161**	**154**	**179**	**160**	**197**	**167**	**196**	**176**	**200**	**186**
Externally-financed	107	100	127	118	138	124	154	131	157	142	160	151
General receipts 1/	32	36	34	36	41	36	43	37	39	34	40	35

Source: Office of Budget and Planning.
1/ Includes Trust Fund Management Fees.

Table 5. Capital Expenditures, FY 12–17
(Millions of U.S. dollars)

	Formula Key	Facilities	Information Technology	HQ2	HQ1 Renewal	Concordia Renovation	Total Capital Plan
FY 12							
New appropriations	(1)	5.1	33.9	0.0	84.0	38.9	161.9
Total funds available	(2)	25.5	53.6	0.1	84.0	38.9	202.1
Expenditures	(3)	9.3	24.0	0.0	3.7	7.3	44.4
Lapsed funds 1/	(4)	2.5	0.7	0.0	0.0	0.0	3.2
Remaining funds 2/	(5) = (2)-(3)-(4)	13.7	28.9	0.1	80.3	31.6	154.6
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 (Est.)	(28)	15.3	35.0		77.9		128.2
Remaining funds (Est.) 2/	(29) = (27)-(28)	46.6	7.7		181.3		235.7

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 14 appropriated funds lapsed at the end of FY 16.

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

Table 6a. Gross Administrative Fund-financed Spending Estimates by Output, FY 12–17 1/

	Millions of FY 17 U.S. dollars							Percent of total						
						FY 17 2/							FY 17 2/	
	FY 12	FY 13	FY 14	FY 15	FY 16	Budget Estimate	Estimated Outturn	FY 12	FY 13	FY 14	FY 15	FY 16	Budget Estimate	Estimated Outturn
Total output estimates 3/	**1,041**	**1,039**	**1,071**	**1,076**	**1,079**	**1,112**	**1,095**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**253**	**248**	**246**	**253**	**245**	**246**	**242**	**24.3**	**23.9**	**23.0**	**23.5**	**22.7**	**22.1**	**22.1**
Global economic analysis	**116**	**123**	**123**	**124**	**121**	**120**	**120**	**11.1**	**11.8**	**11.5**	**11.5**	**11.2**	**10.8**	**10.9**
WEO	17	17	16	17	17	...	17	1.7	1.7	1.5	1.6	1.6	...	1.5
GFSR	13	15	15	15	15	...	14	1.3	1.5	1.4	1.4	1.4	...	1.3
General research	31	34	37	39	40	...	36	3.0	3.3	3.5	3.6	3.7	...	3.3
General outreach	54	57	55	52	48	...	52	5.2	5.4	5.2	4.8	4.5	...	4.8
Cooperative economic policy solutions	**24**	**21**	**22**	**22**	**23**	**23**	**23**	**2.3**	**2.0**	**2.1**	**2.1**	**2.1**	**2.0**	**2.1**
Multilateral consultations	7	5	6	7	6	...	6	0.7	0.5	0.5	0.6	0.6	...	0.6
Support and Inputs to multilateral forums	17	16	17	16	16	...	16	1.6	1.5	1.5	1.5	1.5	...	1.5
Tools to prevent and resolve systemic crises	**69**	**66**	**58**	**61**	**59**	**59**	**62**	**6.6**	**6.4**	**5.4**	**5.7**	**5.5**	**5.3**	**5.7**
Analysis of vulnerabilities and imbalances	20	22	17	17	16	...	16	1.9	2.1	1.6	1.6	1.5	...	1.5
Other cross cutting analysis	49	41	37	41	39	...	42	4.7	4.0	3.4	3.8	3.6	...	3.8
Fiscal Monitor	0	3	4	3	3	...	4	0.0	0.3	0.3	0.3	0.3	...	0.3
Regional approaches to economic stability	**44**	**38**	**43**	**46**	**43**	**45**	**37**	**4.2**	**3.6**	**4.0**	**4.3**	**4.0**	**4.0**	**3.4**
REOs	19	13	16	18	20	...	17	1.8	1.3	1.5	1.7	1.9	...	1.6
Surveillance of regional bodies	13	12	13	12	10	...	8	1.3	1.2	1.3	1.1	0.9	...	0.7
Other regional projects	12	12	13	16	13	...	12	1.2	1.2	1.2	1.5	1.2	...	1.1
Oversight of global systems	**122**	**120**	**124**	**127**	**124**	**131**	**127**	**11.7**	**11.5**	**11.6**	**11.8**	**11.5**	**11.7**	**11.6**
Development of international financial architecture	**27**	**29**	**36**	**40**	**36**	**40**	**40**	**2.6**	**2.8**	**3.4**	**3.7**	**3.4**	**3.6**	**3.6**
Work with FSB and other international bodies	6	6	6	6	6	...	7	0.6	0.6	0.5	0.6	0.6	...	0.6
Other work on monetary, financial, and capital markets issues	21	23	31	34	30	...	33	2.0	2.2	2.8	3.1	2.8	...	3.0
Data transparency	**37**	**39**	**40**	**38**	**35**	**35**	**36**	**3.6**	**3.8**	**3.7**	**3.5**	**3.2**	**3.2**	**3.3**
Statistical information/data	26	27	28	27	28	...	29	2.5	2.6	2.6	2.6	2.6	...	2.6
Statistical manuals	4	5	4	4	3	...	2	0.4	0.4	0.4	0.3	0.2	...	0.2
Statistical methodologies	7	7	8	6	5	...	5	0.6	0.7	0.7	0.6	0.4	...	0.5
The role of the Fund	**58**	**51**	**48**	**50**	**53**	**55**	**52**	**5.6**	**4.9**	**4.4**	**4.6**	**4.9**	**4.9**	**4.8**
Development and review of Fund policies and facilities excl. PRGT and GRA	23	20	19	20	19	...	18	2.2	1.9	1.7	1.9	1.7	...	1.6
Development and review of Fund policies and facilities - PRGT	17	14	11	10	11	...	12	1.7	1.3	1.0	1.0	1.0	...	1.1
Development and review of Fund policies and facilities - GRA	10	9	9	6	8	...	9	0.9	0.8	0.9	0.6	0.7	...	0.8
Quota and voice	5	7	6	6	7	...	6	0.5	0.7	0.5	0.5	0.6	...	0.5
SDR issues	3	2	3	7	9	...	7	0.3	0.2	0.3	0.6	0.8	...	0.6
Bilateral surveillance	**254**	**273**	**287**	**285**	**296**	**287**	**314**	**24.4**	**26.2**	**26.8**	**26.5**	**27.4**	**25.8**	**28.7**
Assessment of economic policies and risks	**218**	**237**	**252**	**253**	**261**	**256**	**270**	**20.9**	**22.8**	**23.6**	**23.5**	**24.2**	**23.0**	**24.6**
Article IV consultations	173	180	192	185	194	...	198	16.6	17.4	18.0	17.2	17.9	...	18.1
Other bilateral surveillance	45	57	60	68	67	...	72	4.3	5.5	5.6	6.3	6.2	...	6.5
Financial soundness evaluations - FSAPs/OFCs	**28**	**28**	**25**	**22**	**26**	**21**	**34**	**2.7**	**2.6**	**2.3**	**2.0**	**2.4**	**1.9**	**3.1**
FSAPs/OFCs	28	28	25	22	26	...	34	2.7	2.6	2.3	2.0	2.4	...	3.1
Standards and Codes evaluations	**9**	**8**	**10**	**10**	**10**	**10**	**10**	**0.9**	**0.7**	**0.9**	**1.0**	**0.9**	**0.9**	**0.9**
ROSCs	2	2	3	3	2	...	2	0.2	0.2	0.3	0.3	0.1	...	0.2
AML/CFT	1	1	1	2	2	...	2	0.1	0.1	0.1	0.2	0.2	...	0.2
GDDS/SDDS	5	4	5	5	6	...	6	0.5	0.4	0.5	0.5	0.6	...	0.6
Lending (incl. non-financial instruments)	**202**	**185**	**184**	**181**	**180**	**193**	**166**	**19.4**	**17.8**	**17.1**	**16.8**	**16.7**	**17.4**	**15.2**
Arrangements supported by Fund resources	**176**	**160**	**145**	**138**	**137**	**146**	**135**	**16.9**	**15.4**	**13.5**	**12.8**	**12.7**	**13.1**	**12.4**
Programs and precautionary arrangements supported by general resources	102	90	81	77	78	...	72	9.8	8.6	7.6	7.2	7.2	...	6.6
Programs supported by PRGT resources	74	70	64	61	60	...	63	7.1	6.7	6.0	5.7	5.5	...	5.8
Non-financial instruments and debt relief 4/	**26**	**25**	**39**	**42**	**43**	**48**	**31**	**2.5**	**2.4**	**3.6**	**3.9**	**4.0**	**4.3**	**2.8**
Capacity development	**174**	**185**	**196**	**196**	**206**	**209**	**210**	**16.7**	**17.8**	**18.3**	**18.2**	**19.1**	**18.8**	**19.2**
Technical assistance	**127**	**140**	**151**	**153**	**160**	**161**	**165**	**12.2**	**13.5**	**14.1**	**14.2**	**14.9**	**14.4**	**15.1**
Training	**47**	**45**	**45**	**43**	**46**	**48**	**45**	**4.5**	**4.3**	**4.2**	**4.0**	**4.2**	**4.4**	**4.1**
Miscellaneous 5/	**36**	**29**	**34**	**34**	**28**	**35**	**35**	**3.4**	**2.8**	**3.2**	**3.2**	**2.6**	**3.2**	**3.2**
Contingency						**11**								
Memorandum items:														
Gross administrative expenditures (in current U.S. dollars) 6/	984	986	1,027	1,049	1,075	1,112	1,095							
(in FY 17 U.S. dollars)	1,066	1,061	1,087	1,089	1,095	1,112	1,095							

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).
1/ Support and governance costs are allocated to outputs.
2/ Budget estimates are not prepared at the detailed output level.
3/ Totals do not reconcile fully to the budget outturns in the Fund's financial system (see memorandum item); for example, standard costs for personnel are used in the ACES model rather than actual personnel costs in the financial system.
4/ 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.
5/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated within the ACES model.
6/ Expenditures as per the Fund's financial system.

Table 6b. Total Gross Administrative Spending Estimates by Output, FY 12–17 1/

	Millions of FY 17 U.S. dollars							Percent of total						
						FY 2017 2/							FY 2017 2/	
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Budget Estimate	Estimated Outturn	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Budget Estimate	Estimated Outturn
Total output estimates 3/	**1,149**	**1,168**	**1,204**	**1,214**	**1,224**	**1,272**	**1,246**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**253**	**248**	**246**	**253**	**245**	**246**	**242**	**22.0**	**21.2**	**20.5**	**20.8**	**20.0**	**19.3**	**19.4**
Global economic analysis	**116**	**123**	**123**	**124**	**121**	**120**	**120**	**10.1**	**10.5**	**10.2**	**10.2**	**9.8**	**9.4**	**9.6**
WEO	17	17	16	17	17	...	17	1.5	1.5	1.3	1.4	1.4	...	1.3
GFSR	13	15	15	15	15	...	14	1.2	1.3	1.2	1.3	1.2	...	1.2
General research	31	34	37	39	40	...	36	2.7	2.9	3.1	3.2	3.3	...	2.9
General outreach	54	57	55	52	48	...	52	4.7	4.8	4.6	4.3	4.0	...	4.2
Cooperative economic policy solutions	**24**	**21**	**22**	**22**	**23**	**23**	**22**	**2.1**	**1.8**	**1.9**	**1.8**	**1.9**	**1.8**	**1.8**
Multilateral consultations	7	5	6	7	6	...	6	0.6	0.4	0.5	0.5	0.5	...	0.5
Support and Inputs to multilateral forums	17	16	17	16	16	...	16	1.5	1.3	1.4	1.3	1.3	...	1.3
Tools to prevent and resolve systemic crises	**69**	**66**	**58**	**61**	**59**	**59**	**63**	**6.0**	**5.7**	**4.8**	**5.0**	**4.8**	**4.6**	**5.0**
Analysis of vulnerabilities and imbalances	20	22	17	17	16	...	16	1.7	1.9	1.4	1.4	1.3	...	1.3
Other cross cutting analysis	49	42	37	41	39	...	42	4.2	3.6	3.1	3.4	3.2	...	3.4
Fiscal Monitor	0	3	4	3	3	...	4	0.0	0.2	0.3	0.3	0.3	...	0.3
Regional approaches to economic stability	**44**	**38**	**43**	**46**	**43**	**45**	**37**	**3.8**	**3.2**	**3.6**	**3.8**	**3.5**	**3.5**	**3.0**
REOs	19	13	16	18	20	...	17	1.7	1.1	1.3	1.5	1.6	...	1.4
Surveillance of regional bodies	13	12	13	12	10	...	8	1.1	1.0	1.1	1.0	0.8	...	0.6
Other regional projects	12	12	13	16	13	...	12	1.0	1.0	1.1	1.3	1.1	...	1.0
Oversight of global systems	**122**	**120**	**124**	**127**	**124**	**131**	**128**	**10.6**	**10.3**	**10.3**	**10.5**	**10.1**	**10.3**	**10.2**
Development of international financial architecture	**27**	**29**	**36**	**40**	**36**	**40**	**40**	**2.4**	**2.5**	**3.0**	**3.3**	**3.0**	**3.2**	**3.2**
Work with FSB and other international bodies	6	6	6	6	6	...	7	0.5	0.5	0.5	0.5	0.5	...	0.5
Other work on monetary, financial, and capital markets issues	21	23	31	34	30	...	33	1.9	2.0	2.5	2.8	2.4	...	2.6
Data transparency	**37**	**39**	**40**	**38**	**35**	**35**	**36**	**3.2**	**3.4**	**3.3**	**3.1**	**2.8**	**2.8**	**2.9**
Statistical information/data	26	27	28	27	28	...	29	2.3	2.4	2.4	2.3	2.3	...	2.3
Statistical manuals	4	5	4	4	3	...	2	0.4	0.4	0.3	0.3	0.2	...	0.2
Statistical methodologies	7	7	8	7	5	...	5	0.6	0.6	0.6	0.5	0.4	...	0.4
The role of the Fund	**58**	**52**	**48**	**50**	**53**	**55**	**52**	**5.1**	**4.4**	**3.9**	**4.1**	**4.3**	**4.3**	**4.2**
Development and review of Fund policies and facilities excl. PRGT and GRA	23	20	19	20	19	...	18	2.0	1.7	1.5	1.7	1.5	...	1.4
Development and review of Fund policies and facilities - PRGT	17	14	11	10	11	...	12	1.5	1.2	0.9	0.9	0.9	...	1.0
Development and review of Fund policies and facilities - GRA	10	9	9	6	8	...	9	0.9	0.7	0.8	0.5	0.6	...	0.7
Quota and voice	5	7	6	6	7	...	6	0.4	0.6	0.5	0.5	0.6	...	0.5
SDR issues	3	2	3	7	9	...	7	0.3	0.2	0.3	0.6	0.7	...	0.6
Bilateral surveillance	**254**	**273**	**287**	**285**	**296**	**287**	**314**	**22.1**	**23.3**	**23.8**	**23.5**	**24.2**	**22.6**	**25.2**
Assessment of economic policies and risks	**218**	**237**	**252**	**253**	**261**	**256**	**267**	**19.0**	**20.3**	**21.0**	**20.9**	**21.3**	**20.1**	**21.4**
Article IV consultations	173	180	192	185	194	...	198	15.0	15.4	16.0	15.3	15.8	...	15.9
Other bilateral surveillance	45	57	60	68	67	...	72	3.9	4.9	5.0	5.6	5.5	...	5.8
Financial soundness evaluations - FSAPs/OFCs	**28**	**28**	**25**	**22**	**26**	**21**	**33**	**2.4**	**2.4**	**2.1**	**1.8**	**2.1**	**1.7**	**2.7**
FSAPs/OFCs	28	28	25	22	26	**0**	33	2.4	2.4	2.1	1.8	2.1	-	2.7
Standards and Codes evaluations	**9**	**8**	**10**	**10**	**10**	**10**	**10**	**0.8**	**0.7**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**
ROSCs	2	2	3	3	2	...	2	0.2	0.2	0.3	0.2	0.1	...	0.2
AML/CFT	1	1	1	2	2	...	2	0.1	0.1	0.1	0.2	0.1	...	0.1
GDDS/SDDS	5	4	5	5	6	...	6	0.5	0.4	0.4	0.4	0.5	...	0.5
Lending (incl. non-financial instruments)	**202**	**185**	**184**	**181**	**180**	**193**	**166**	**17.6**	**15.8**	**15.2**	**14.9**	**14.7**	**15.2**	**13.4**
Arrangements supported by Fund resources	**176**	**160**	**145**	**138**	**137**	**146**	**135**	**15.3**	**13.7**	**12.0**	**11.4**	**11.2**	**11.5**	**10.9**
Programs and precautionary arrangements supported by general resources	102	90	81	77	78	...	72	8.9	7.7	6.7	6.4	6.3	...	5.8
Programs supported by PRGT resources	74	70	64	61	60	...	63	6.5	6.0	5.3	5.0	4.9	...	5.1
Non-financial instruments and debt relief 4/	**26**	**25**	**39**	**42**	**43**	**48**	**31**	**2.2**	**2.1**	**3.2**	**3.5**	**3.5**	**3.7**	**2.5**
Capacity development	**274**	**302**	**319**	**322**	**338**	**364**	**355**	**23.9**	**25.9**	**26.5**	**26.5**	**27.6**	**28.6**	**28.5**
Technical assistance	**214**	**245**	**264**	**269**	**282**	**306**	**299**	**18.6**	**21.0**	**21.9**	**22.1**	**23.1**	**24.1**	**24.0**
Training	**60**	**57**	**56**	**53**	**56**	**57**	**56**	**5.3**	**4.9**	**4.6**	**4.4**	**4.6**	**4.5**	**4.5**
Miscellaneous 5/	**43**	**40**	**43**	**46**	**42**	**41**	**41**	**3.8**	**3.4**	**3.6**	**3.8**	**3.4**	**3.2**	**3.3**
Contingency						**11**								
Memorandum items:														
Gross administrative expenditures (in current U.S. dollars) 6/	1,082	1,102	1,149	1,177	1,215	1,272	1,246							
(in FY 17 U.S. dollars)	1,171	1,186	1,217	1,222	1,238	1,272	1,246							

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

1/ Support and governance costs are allocated to outputs.

2/ Budget estimates are not prepared at the detailed output level.

3/ Totals do not reconcile fully to the budget outturns in the Fund's financial system (see memorandum item); for example, standard costs for personnel are used in the ACES model rather than actual personnel costs in the financial system.

4/ 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.

5/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated within the ACES model.

6/ Expenditures as per the Fund's financial system.