

INTERNATIONAL MONETARY FUND

**The FY2010–FY2012 Medium-Term Administrative, Restructuring,
and Capital Budgets**

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GLOSSARY

ABC	Activity-Based Costing
AML/CFT	Anti-Money Laundering/Combating Funding of Terrorism
BWRC	Bretton Woods Recreation Center
CAPTAC	Central America-Panama-Dominican Republic Regional Technical Assistance Center
CBA	Cost-Benefit Analysis
COB	Committee on the Budget
CPI	Consumer Price Index
FCI	Facilities Condition Index
FTE	Full-Time Equivalent (person year of employment)
GRA	General Resources Account
GAF	Generally Available Facilities
HCM	Human Capital Management System
HQ1	Headquarters Building 1
HQ2	Headquarters Building 2
IEO	Independent Evaluation Office
iBBIS	Integrated Budgeting and Business Intelligence System
IFRS	International Financial Reporting Standards
IFIs	International Financial Institutions
IT	Information Technology
KOA	Key Output Area
LWOP	Leave Without Pay
MBP	Medical Benefits Plan
MTB	Medium-Term Budget
PGR	Pensionable Gross Remuneration
OED	Offices of the Executive Directors
OIA	Office of Internal Audit and Inspection
NAB	Net Administrative Budget
PRGF	Poverty Reduction and Growth Facility
REG	Regular Staff
RSBIA	Retired Staff Benefits Investment Account
RTAC	Regional Technical Assistance Center
SBF	Separation Benefits Fund
SFA	Selected Fund Activities Instrument
SRP	Staff Retirement Plan
TA	Technical Assistance
TRS	Time Reporting System
TIMS	Travel Information Management System
UFR	Use of Fund Resources
WEO	World Economic Outlook

I. EXECUTIVE SUMMARY

- This paper presents for Executive Board approval proposals for the FY 10–12 medium-term administrative budget (MTB), and the FY 10 capital budget in the context of the FY 10–12 capital plan. It also proposes to carry forward up to six percent of the unspent resources from the FY 09 administrative budget to help finance increased costs associated with the global financial crisis.
- This budget has been crafted in an unusually uncertain environment. The global financial crisis added a new set of demands for country programs and enhanced surveillance, and these could increase if the crisis expands, deepens or is more protracted than currently expected. Moreover, the Fund could be assigned added responsibilities under a new global financial architecture. Nevertheless, the main elements of last year’s business plan, which were based on the Fund’s medium-term strategic directions, remain.
- Administrative costs of the financial crisis will be met with a combination of internal redeployment and carry forward of the FY 09 budget underrun. These are temporary resources for temporary crisis demands, thereby leaving the three-year structural budget envelope approved last year in force.
- The planned budget consolidation is well in hand, and savings are impressive by any measure. Fund personnel costs will be cut by 13 percent in real terms to levels broadly prevailing prior to the Asian crisis, and the \$100 million in annual structural budget savings is on track for FY 11. Budget reforms—including improved costing—will help ensure that these savings are sustained, and with the new income model, will eliminate the Fund’s structural deficit.
- The main challenge during the FY 10–12 MTB period will be to continue to ensure full financing for crisis needs while delivering promised savings in the structural budget. The proposed budget strategy can deliver these seemingly contradictory objectives, but its adequacy will be assessed as part of the six month budget review in December 2009. Were a supplementary budget to become necessary, resources would be temporary, and would not add to the structural steady-state budget.

II. BACKGROUND AND THE PRELIMINARY FY 09 OUTTURN

1. **The FY 09–11 medium-term budget (MTB) set in train an ambitious restructuring process, with the central objective of reshaping the Fund so that it could deliver more focused outputs cost-effectively.** Administrative resources were shifted from non-core activities and reallocated toward priority core-business outputs and activities: the decline in country programs and financial support that began in 2001 would allow for more resources to be devoted to multilateral, regional, and bilateral surveillance; work on low-income countries would be refocused; and capacity building would be streamlined. The Fund’s new structural steady state—the indicative budget for FY 11—implied a leaner, more modern institution, with budgeted expenditures cut by \$100 million in real terms, and budgeted staff positions reduced by 380, relative to the FY 08–10 MTB (Table 1). The effort would thereby help to close the Fund’s income-expenditure gap and underpin a new, sustainable budgetary framework.

	FY08	FY09	FY10	FY11
	(in millions of FY08 dollars)			
FY 08-10 MTB	922	913	910	n.a.
FY 08-10 MTB rolled forward	n.a.	913	910	896
FY 09-11 MTB	n.a.	835	813	796
Comparing budget cuts				
FY 09-11 to FY08-10	n.a.	-78	-97	-100
(in percent)	n.a.	-9	-11	-11
FY 09-11 to FY08	n.a.	-87	-109	-126
(in percent)	n.a.	-9	-12	-14
<i>Memorandum items:</i>				
Budgeted staff positions	2901	2681	2579	2521
Cumulative reduction in staff positions	n.a.	220	322	380
(in percent)	n.a.	8	11	13

Source: Office of Budget & Planning.

2. **Data for the first three quarters of FY 09 indicate that the restructuring process is well advanced.** The number of staff that volunteered to separate was greater than anticipated, implying that personnel expenses charged to the FY 09 administrative budget will be lower than budgeted.¹ Since the number of staff remaining on the administrative budget is actually lower than the new structural steady state target, there is modest room to recruit permanent staff to return to structural levels. This hiring also provides the opportunity to update the mix of staff skills to support better the upcoming work agenda. At the same

¹ Total restructuring expenditures are nevertheless expected to remain within the \$185 million appropriation because of lower-than-planned average separation, outplacement, and retooling costs. Further information on the restructuring budget is provided in Appendix III.

time, good progress has been made in implementing the efficiency gains and streamlining initiatives that were designed to deliver more focused outputs with fewer resources. In particular, the structure of each department has been redesigned to increase management span of control—front offices are smaller and there are fewer but larger divisions—and the review process is being re-engineered to improve effectiveness.

3. That said, the dominant force on the Fund’s operations in FY 09 has been the global financial crisis—the extent of which was not anticipated when the FY 09–11 MTB was set.

The Fund has responded vigorously, and its work program has shifted significantly during the course of the year.

Lending has increased more than fourteen-fold as almost a dozen new multi-year financial arrangements have been approved (Table 2), and significant progress has already been made in securing additional resources to augment the Fund’s lending capacity. New initiatives have been introduced to

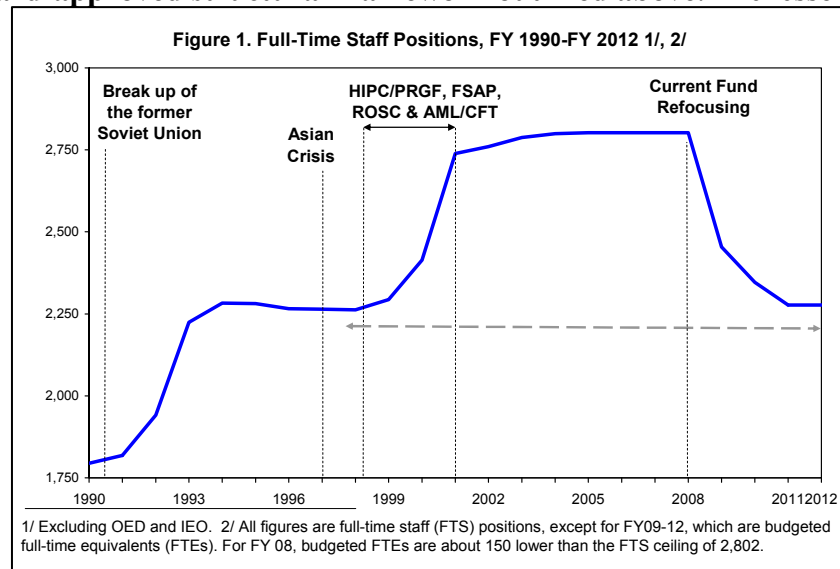
	FY 08		FY 09	
	end-April	end-October	end-October	end-January
	(number or billions of U.S. dollars)			
Total				
Number of programs	33	29		40
Amount committed	14	4		52
<i>Of which:</i>				
GRA				
Number of programs	8	6		14
Amount committed	12	2		50
PRGF				
Number of programs	25	23		26
Amount committed	2	2		2

Sources: Executive Board documents, and Finance Department.

make the Fund’s lending framework more responsive and, in contrast with the experience in recent years, small industrial and emerging market countries have been among the members receiving financial support. Surveillance has intensified, and there has been a greater-than-planned focus on the early warning exercise and international regulatory and supervisory frameworks. Technical assistance is shifting toward countries most affected by the crisis.

4. The budgetary strategy to implement this shift in the work agenda has been formulated within the Board-approved structural framework outlined above. The lesson

from the Fund’s own approach to budget and staffing during the Asian crisis and afterward was that a structural build up in staffing should be avoided in response to a temporary surge in workload (Figure 1). Accordingly, the provision of resources for the current crisis must first come from internal redeployment, and if this



proves insufficient, through the temporary provision of additional resources from a supplementary budget. Thus, the budgetary strategy has relied on significant reassignment of staff within departments, redeployment of resources across departments, and shifts across financial years to address the need to increase Fund services in FY 10–11. The latter would be facilitated by the anticipated administrative underrun in FY 09, which is a one-off result from the restructuring process (Box 1), and the proposed budgetary reforms that would allow for a modest carry forward.

Box 1. The Underrun in the FY 09 Net Administrative Budget¹

The level of expected savings in the FY 09 net administrative budget is temporary and largely a reflection of the downsizing.

The unexpectedly high number of staff who accepted voluntary early retirement resulted in almost 200 vacancies in the first year of the MTB—a much faster reduction than planned—and correspondingly lower-than-budgeted personnel expenditures. The excess personnel appropriations, in turn, implied that the contingency reserve did not need to be tapped, even in response to unbudgeted crisis-related expenditures.

Fund-Financed Budget: Estimated Savings

(in millions of U.S. dollars)	
Personnel	40
Travel	9
Buildings and other expenses	4
Contingency	9
Receipts	-11
Total	50

To bring staffing levels back up to the new steady state target, and to meet crisis-related demands, hiring efforts were intensified, but staff on board only began to increase in the third quarter. Because staffing is expected to reach the target level by early-FY 10, an underrun is not anticipated in FY 10 or beyond.

¹ Figures include Fund-financed activities only.

5. **During FY 09 the initial burden of the heavy workload was born chiefly by the staff as uncompensated overtime and by volunteers who delayed their departure dates.** In addition, the Fund initiated a hiring strategy to restore the number of staff to MTB structural levels. Further efforts were also made to identify lower-priority activities that could be dropped or postponed.

6. **The FY 10–12 MTB aims to finance the Fund’s crisis response within the resource envelope already agreed.** This central budgetary scenario is described in detail in the sections that follow. To the extent that the crisis expands, deepens, or becomes more protracted than currently expected, additional temporary budget resources may need to be requested. Were a supplementary appropriation to become necessary, the temporary expenditures—e.g., limited-term staff—could be financed out of the temporary increase in income resulting from the surge in lending. In either case, the structural steady state budget approved last year would be preserved.

III. THE FY 10–12 MEDIUM-TERM BUDGET

A. Rolling Forward the FY 09–11 MTB

7. **The central budgetary scenario starts from the agreed net administrative budget envelopes in the FY 09–11 MTB.** The real budget envelopes for FY 10 and FY 11 are identical to those agreed last year, and the real budget envelope for FY 12 is held constant relative to FY 11. Thus, as Table 3 illustrates, the \$100 million savings target will be delivered as planned, and sustained over time. These real figures are translated into nominal (current dollar) terms using the FY 10–12 global external deflator (4 percent). The nominal envelopes are also unchanged from last year (Box 2).

	FY 08	FY 09	FY 10	FY 11	FY 12
	(in millions of FY 08 dollars)				
Approved FY 08-10 MTB, rolled forward one year	922	913	910	896	896
Approved FY 09-11 MTB	n.a.	835	813	796	n.a.
<i>Savings relative to FY 08-10 MTB</i>		78	97	100	
Proposed FY 10-12 MTB	n.a.	n.a.	813	796	796
<i>Savings relative to FY 08-10 MTB</i>		78	97	100	100
	(in percent)				
FY 10-12 Global External Deflator	n.a.	n.a.	4.0	4.0	4.1
	(in millions of U.S. dollars)				
Approved FY 09-11 MTB	n.a.	868	880	895	n.a.
Proposed FY 10-12 MTB	n.a.	n.a.	880	895	932

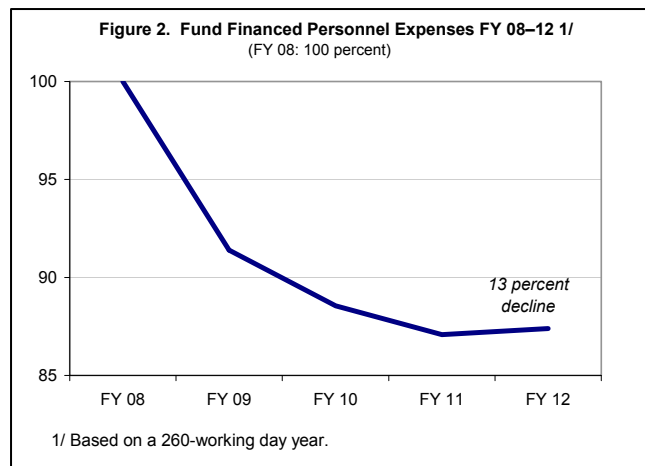
Source: Office of Budget & Planning.

8. **The envelopes shown in Table 3 are the proposed total appropriations for the net administrative expenditures of the IMF.**

B. Measuring Consolidation in the Proposed MTB

9. **A diverse set of metrics points to an impressive consolidation of the Fund's budget (Figure 2):**

- By FY 11, the Fund will be saving \$100 million per year in real terms relative to the FY 08–10 MTB—a savings of \$2.5 billion in present value terms.²



² Present value of a perpetual annuity calculated at 4 percent.

Box 2. The Global External Deflator

The global external deflator anchors the Fund's spending to appropriate external market prices. The deflator is constructed as the weighted average of estimated personnel costs (70 percent) and forecast nonpersonnel costs (weighted at 30 percent).

Personnel costs—salaries plus benefits—are proxied by an external salary index, since a majority of the Fund's benefit expenditures are strongly correlated with salary movements. The external salary index is constructed using the estimated percentage change required to align the Fund's average staff salary with salaries in comparator markets, and is derived on the basis of the Board-endorsed methodology on global external comparator markets and sectors. This rules-based mechanism follows a three-year cycle. In the first year, a full review of the comparator markets is conducted, followed by indexation in the intervening years.

For FY 10, the increase in the salary index—and thus in the personnel component of the deflator—is 5 percent. Since forecasts for the salary index are not available, the personnel component of the deflator is held constant in the outer two years of the MTB; however, this assumption will be updated when the next (FY 11–13) MTB is set.

Nonpersonnel expenditures consist mainly of travel, facilities, and information technology. Since most of the expenditures in this category reflect U.S. market conditions, the most recently published WEO forecasts of the U.S. CPI inflation rates are used for this component of the deflator.

The October 2008 WEO provides U.S. CPI forecasts for calendar years 2009, 2010, and 2011, which are used as the non-personnel components of the deflators for FY 10, FY 11, and FY 12, respectively. While these forecasts are currently being revised in advance of the April WEO, best practice suggests that only published forecasts be used. This policy ensures the transparency of the deflator and avoids the misperception that there is any conflict of interest involved in the Fund's forecasts.

- Real budgets in FY 11–12 will be 14 percent lower than the FY 08 budget.
- Staffing in FY 11–12 will be 13 percent lower than the FY 08 budgeted positions.
- Fund-financed personnel expenditures will decline by 13 percent in real terms over FY 08–12, largely reflecting the reduction in staff.

C. The Impact of the Global Financial Crisis on MTB Financing

10. The Fund's work agenda is evolving to meet the demands of the financial crisis.

The FY 09–11 MTB had assumed financial programs would be limited in number and mainly to PRGF cases. Staff were expected to focus increasingly on macro-financial linkages in bilateral and multilateral surveillance and capacity building. As the financial crisis began to unfold the new demands were first met within affected departments' resources, but this soon proved unworkable and staff and travel budgets were redeployed across departments. The total impact of the crisis on Fund *outputs* is discussed in the next section and is much higher than the additional budgetary costs outlined immediately below.

11. The cost of additional crisis-related work has been estimated at \$32 million in each of FY 10 and FY 11. This amount was derived using the same methodology that underpinned the recent restructuring effort, which determined resource levels based on the number and status of countries in a region. As the crisis has widened, the budgetary impact has been calculated in three main areas: (i) staffing levels have been recalibrated to reflect the work associated with countries that require increased levels of engagement; (ii) the cost of Resident Representative offices have been assessed, recognizing that some scheduled closings will be delayed, or new offices will need to be opened; and (iii) the number of missions to each country and the travel budget have been updated to reflect the increased level of engagement.

12. Notwithstanding the significant consolidation described in Section B, staff estimate that the \$32 million needed for crisis demands in each of FY 10 and FY 11 can be met within the proposed envelopes (Table 4). However, in doing so, all margins will be reduced. The budget strategy involves three main efforts:

- First, Board approval of the carry forward policy endorsed by the COB in December 2008 and March 2009 would permit some of the administrative budget underrun from FY 09 to be carried forward for use in FY 10–11. Carry forward would be limited to unspent appropriations, up to 6 percent of the FY 09 net administrative budget, and up to 3–5 percent of the net administrative budget in FY 10 and beyond.

Table 4. Net Administrative Budgets, FY 09–12
(in millions of U.S. dollars)

	FY 09	FY 10	FY 11	FY 12	FY 09-12
Net Administrative Budget	868	880	895	932	3,575
Estimated Expenditures	818	905	918	932	3,573
Structural Budget	868	880	895	932	3,575
Plus additional costs:					
Crisis work	8	32	32	0	71
Less expected savings:					
Vacancies and unspent contingency	-58	0	0	0	-58
Contingency reserved for crisis financing	0	-6	-8	0	-14
Underrun (+) / Overrun (-)	50	-25	-23	0	1
Carry forward from previous year	0	48	23	0	n.a.
Balance available for carry forward to next year	48	23	0	0	n.a.
<i>Memorandum items:</i>					FY 09-11
Available Resources, MTB FY 09-11	868	880	895	0	2,643
Available Resources, MTB FY 10-12 1/	818	905	918	932	2,641

Source: Office of Budget and Planning
1/ FY 09 figure is estimated outturn.

- Second, about one-half of the contingency provisions for FY 10 and FY 11 included in the FY 09–11 MTB will be released for reallocation to crisis work in the FY 10–12 MTB, in accordance with the contingencies’ purpose as resources for temporary, unanticipated demands (Box 3). This step will add \$14 million to the crisis response.
- And third, efforts are in train to streamline further work practices and reduce low priority activities, in order to ease the burden on staff during the crisis period.

13. **The financial crisis has also had an impact on the assets in the Staff Retirement Plan (SRP) and the Retired Staff Benefit Investment Account (RSBIA).** The funding for the SRP was designed to handle market fluctuations. In particular, the Executive Board agreed that the Fund should pay 14 percent of the pensionable gross remuneration (PGR) on an annual basis, with any difference between the required contribution and 14 percent added to/withdrawn from the reserve account. Thus, although the Actuary estimated a zero percent contribution rate for FY 10—on the basis of asset valuation as of May 2008—the Fund would continue to make the 14 percent contribution, with the entire amount added to the reserve account in FY 10. However, if the recent valuation decline is not reversed, a contribution rate higher than 14 percent would be required in FY 11, and there will be a partial drawdown from the reserve account.

Box 3. Contingency Reserves in the MTB

Contingency reserves are included in the MTB to provide for unanticipated expenditures due to exogenous demand or price changes, as well as unanticipated policy changes in the outer years. These reserves are contained within the overall MTB envelope, and their size increases with time to reflect increasing uncertainty. In the FY 09–11 MTBs, the first-year contingency reserve was set at 1 percent of the net administrative budget (NAB), while the second- and third-year reserves were set at 1½ percent and 2 percent, respectively.

Typically, when an MTB is rolled-forward—and the second year of the old MTB becomes the first year of the new MTB—the contingency reserve is reduced from 1½ percent to 1 percent of the NAB, and the resources released are available for reallocation among departments as needed. Similarly, ½ percent of the NAB in resources are released in setting the second year of the new MTB, while the contingency reserve for the third year of the new MTB is set at 2 percent of the NAB.

For the FY 10–12 MTB, slightly smaller contingencies are proposed for FY 10 and FY 11, so that a larger amount of released resources will be available to reallocate among departments to help finance crisis-related expenditures. In particular, the FY 10 contingency reserve has been set at ¾ percent of the NAB and the FY 11 reserve has been set at 1 percent of the NAB. Under the assumption that the crisis demands will have largely dissipated by FY 12, a normal contingency reserve of 2 percent of the NAB is assumed for that year.

14. **In contrast, the RSBIA is relatively new with a small asset base, a large liability, and no reserve fund.** Thus, changes in market valuation have an immediate impact on contributions. Unlike the SRP, there is no actuarial-required minimum contributions for the RSBIA, and in the past, resources permitting, the strategy has been to prefund the RSBIA to reduce the structural deficit. Based on the asset valuation as of May 2008, the actuary's recommendations for FY 10–12 remain in the \$22–28 million range. In view of the recent decline in asset valuation, it is recommended that prefunding be stepped up with an additional contribution from the FY 09 budget of about \$15 million. For FY 10–12, the MTB assumes continued funding in the \$37–38 million range established last year.

D. Adapting Output Plans

15. **The global financial crisis will change the mix of Fund outputs for at least the next two years** (Table 5). The Fund will be responsible for providing effective assistance to crisis-

	FY 10		FY 11	
	MTB 09–11	MTB 10–12	MTB 09–11	MTB 10–12
Global Monitoring	17.9	18.3	18.2	18.4
Country & Regional Surveillance	36.5	34.4	36.7	34.3
Country Programs	21.1	23.1	20.4	22.9
<i>Of which: GAF</i>	8.0	11.4	7.8	11.3
Capacity Building	24.7	24.1	24.7	24.5
Total	100.0	100.0	100.0	100.0

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

hit countries, engaging in policy dialogue with other countries, and providing relevant multilateral perspectives. At the same time, the Fund's ongoing work will be guided by the strategic initiatives and refocusing objectives introduced last year and the evolving nature of the international financial architecture. Departments have adapted their business plans to account for crisis activities within the current framework. An update is planned in the next few months once crisis needs are more firm and once any changes to the Fund's mandate are known.

16. **Compared with the previous MTB, the broad outline of the Fund's work is mostly unchanged.** Surveillance and capacity building remain the largest key output areas (KOA), but the share of these outputs are lower than previously planned as resources for country programs and global monitoring are increased to accommodate crisis demands.

- The decline in country and regional surveillance, however, may overstate any shift away from this core area because some country work normally attributed to surveillance—macro forecasts, for example—can be subsumed into program activities. In addition, departments are implementing efficiency measures such as a streamlined review process that will reduce inputs to surveillance without affecting the number of missions or the quality of the analysis.
- The output share for capacity building work has been reduced, as staff in technical assistance departments are expected to respond to the crisis by shifting resources temporarily to surveillance and support in crisis countries. Field delivery is not expected to decline because of external financing, but departments will reduce inputs through efficiency measures such as streamlined administrative procedures.

17. **Planned resources devoted to global monitoring will increase, reflecting continued work on the global financial architecture and governance reform.** Multilateral surveillance is also expected to receive a higher share of resources for work on the early warning system, and to improve analysis of macro-financial linkages and their implications for oversight and regulatory frameworks. These outputs could be adjusted, as necessary later in the year.

18. **Resources planned for crisis work are likely to be considerably greater than** that indicated by the 3½ percentage point rise in GAF program work.³ The crisis response plan has involved a redeployment of resources within and among departments. One indication of the extent of this redeployment is the percentage of each KOA that departments estimate to be crisis related. This is necessarily a rough measure of the incremental efforts because of the difficulty in identifying exactly what work is crisis related and what is part of normal

³ GAF, or generally available facilities, refers to all but low income program work. It covers current crisis programs.

ongoing activities in areas such as regional and bilateral surveillance. With these uncertainties in mind, some part of each KOA is likely to involve crisis work (Table 6):

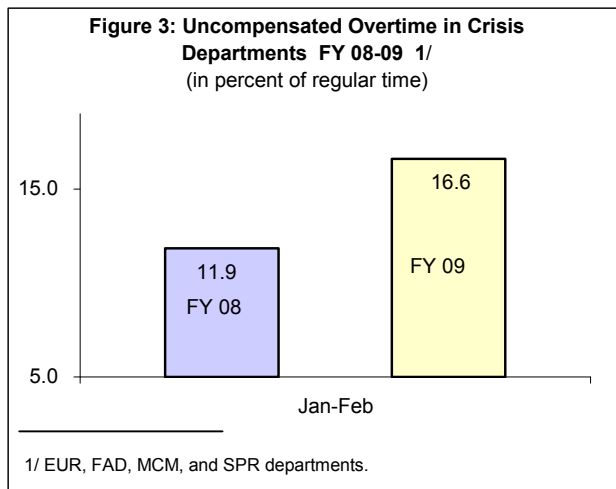
	Moderate (10-25)	Large (25-50)	Very Large (50+)
Global monitoring			•
Country and regional monitoring		•	
Country programs		•	
<i>Of which: GAF</i>			•
Capacity building	•		

1/ All area departments plus, FAD, FIN, LEG, MCM, RES, and SPR.

- It is likely that more than 50 percent of the global monitoring effort will be related to the financial crisis; this mainly reflects work in SPR on the global financial architecture.
- The large share of country and regional monitoring linked to crisis work reflects additional efforts to understand crisis linkages and to prevent its spread.
- The very large share of the GAF program resources being devoted to the crisis is well understandable since all of the crisis programs fall in this category. However, some departments anticipate PRGF programs to be affected by the global crisis, for example through the commodity price linkage.

19. Reallocation will allow Fund outputs related to the crisis to be much higher than the estimated \$32 million in additional crisis related spending identified in Table 4.

Valuing the intensity ranges in Table 6 at their midpoint, suggests that the total cost of crisis-related outputs will be in the neighborhood of \$120 million in FY 10, with about 25 percent of the total coming from temporary resources and 75 percent from internal reallocation. Since staff resources are being stretched as indicated by a sharp rise in uncompensated overtime in affected departments since the crisis, additional crisis needs could require supplementary resources, especially in the crisis departments (Figure 3).



20. The need for a supplementary budget will be evaluated during the six month budget review. At that time, there will be a better understanding of the depth and complexity of the crisis as well as other demands on the institution. If it appears that annual crisis costs are likely to exceed the current \$32 million estimate or that demands stemming from a new global financial architecture cannot be accommodated by near-term efficiency gains, a supplementary budget appropriation could be requested. The assessment will also consider:

(i) the already-reduced contingency reserve for FY 10–11, (ii) the six month estimated outturn, and (iii) the scope for further redeployment.

E. Allocating by Major Expenditure Category

21. As was the case in the last MTB, the reduction in staffing is the main driver of the significant decline in expenditures, since personnel outlays account for almost three-quarters of the budget (Table 7). By the end of the MTB period real personnel expenditures financed from Fund resources are budgeted to be 13 percent lower than in FY 08 (before the restructuring). Personnel expenditures financed by the increase in donor funding that is anticipated over the period will help to raise the Fund's capacity building activities.⁴

	FY 08	FY 09	FY 10	FY 11	FY 12
	(in millions of U.S. dollars)				
I. Personnel	723	697	710	731	764
<i>Of which: Fund-financed 3/</i>	692	653	664	681	708
II. Travel	101	98	89	94	96
III. Building and other expenditures	161	163	168	170	174
IV. Annual Meetings			5	0	0
V. Contingency Reserves	10	9	7	9	19
Gross Expenditures	994	967	979	1,004	1,053
VI. Receipts	-71	-99	-100	-109	-121
Net Administrative Budget (Structural)	922	868	880	895	932
<i>Memorandum items:</i>					
Travel (previous treatment)	101	98	99	103	105
Receipts (previous treatment)	-71	-99	-109	-118	-130
	(in millions of FY 08 dollars)				
I. Personnel	723	670	656	650	652
<i>Of which: Fund-financed 3/</i>	692	628	614	606	604
II. Travel	101	94	82	83	82
III. Building and other expenditures	161	157	156	151	148
IV. Annual Meetings	0	0	5	0	0
V. Contingency Reserves	10	8	6	8	16
Gross Expenditures	994	930	906	892	899
VI. Receipts	-71	-95	-92	-97	-103
Net Administrative Budget (Structural)	922	835	813	796	796
<i>Memorandum items:</i>			0	0	0
Travel (previous treatment)	101	94	91	92	90
Receipts (previous treatment)	-71	-95	-101	-105	-111
Number of working days	262	261	261	260	261
Source: Office of Budget and Planning.					
Note: Figures may not add to totals due to rounding.					
1/ Includes OED and IEO.					
2/ Excludes crisis-related expenditures expected to be financed by carry forward.					
3/ Excludes personnel appropriations for externally-financed activities and for working days in excess of 260.					

⁴ These arrangements will have no impact on the Fund-financed (structural) budget.

22. **Departmental budgets reflect the staffing levels that were determined last year, with some important adjustments** (Table 8).

Comparing FY 08 to FY 12, staffing levels in SPR and RES have been reduced by less than reported in the FY 09–11 MTB. This structural change reflects higher demand for strategic work on multilateral surveillance and low-income country issues. In contrast, HRD's staffing levels will be reduced further in FY 12 compared with FY 11, reflecting the commencement of the streamlined HR business model, enabled in part by the new Human Capital Management project.

23. **The other major expenditure categories are also expected to decline in real terms over the MTB period**, sustaining the envisaged level of non-personnel savings.

Specifically:

- Travel budgets in FY 10 were reduced by approximately 10 percent relative to FY 09. Part of this reduction reflects the change in accounting treatment of travel rebates (see Appendix II). It also reflects average ticket price savings of about 10 percent due to the new designated airline program, and a slower rise in travel costs resulting from the adoption of the new travel policies.
- The budget for buildings and other expenditures reflects efficiencies being implemented as part of the downsizing. Savings are being realized from the global sourcing of some IT maintenance services; in telecommunications; and from the renegotiation of certain maintenance contracts for HQ1 and HQ2.
- As was the case in FY 07, an additional \$5 million in real terms was included in the FY 10 budget to cover the additional costs of holding the Annual Meetings overseas; this amount translates to \$5.4 million in FY 10 dollars.

	FY 08		Percent Reduction FY 08-12	
	FTEs	Net Budget (in \$ millions)	FTEs	FY 08 dollars
Area	815	235	14	16
AFR	228	70	11	14
APD	126	37	16	20
EUR	170	48	17	18
MCD	139	41	13	16
WHD	153	40	16	17
TA Functional	682	204	14	17
FAD	150	47	16	17
INS (incl. RTIs)	99	33	12	23
LEG	68	20	20	22
MCM	216	68	12	15
STA	148	36	12	12
Functional	481	113	13	9
EXR 1/	88	25	19	13
FIN	135	28	19	18
SPR	167	37	9	3
RES	91	23	6	6
Support	510	221	21	17
EUO	12	4	44	44
HRD and SSG	105	33	36	28
INV	9	2	-27	100
OAP	6	3	33	20
TGS	374	179	16	14
UNO	4	1	100	100
Governance	414	150	2	4
OMD	67	20	17	18
SEC	62	18	18	24
Other offices	24	47	n.a.	n.a.
IEO	13	5	8	4
OED 2/	248	59	9	7
Total	2,901	922	13	14
Net FTE reductions			380	

1/ Reflects outsourcing of some public relations activities.
2/ Relative to the full entitlement of 264 FTEs, the reduction in FTEs is 12 percent and in the real net budget is 13 percent.

24. **Receipts are projected to rise progressively in real terms over the MTB** (Appendix II). This trend reflects implementation of the Board-endorsed strategy for technical assistance, which relies increasingly on donor financing. In particular, donor funds will be sought for four new planned regional technical assistance centers (RTACs), of which one (CAPTAC) will open in early FY 09. The projections also take account of the revised timeframe for implementing the new TA charging policy; the work of the AML/CFT trust fund, which will start operations in FY 2010; and possible other topical trust funds.

F. Strengthening Budget Planning and Implementation

25. **The next round of budget reforms will center on introducing activity-based costing (ABC) to complement the MTB.** The MTB anchors administrative spending by setting a real spending path in advance and then establishing nominal spending limits using the global external deflator. ABC would help to inform strategic budget choices within the spending envelope and support the Fund's new income model.

26. **ABC assigns expenses such as salaries and travel to core products (Article IV consultations, the WEO, technical assistance programs, etc.) and models the factors that are driving their costs.** An ABC system would thus help to measure and monitor the cost of the Fund's various outputs and analyze the resource implications of shifting priorities in the Fund's work program. The system could be refined as needed to track the costs of key processes that go into producing Fund outputs, such as conducting analysis, reviewing the work, writing reports, etc.⁵ As experience with the system grows, cost norms for producing certain types of outputs would emerge.

27. **An ABC system would thus have important strategic budget planning and operational uses.** In particular, it would help to illuminate the trade offs when budget reallocations are needed. For example, the system could assign costs of conducting specific types of surveillance or Fund-supported programs based on different types of country clarification (low-income, emerging, developed), and their vulnerability to crisis. Consistent with anticipated demands related to the forecast global economic environment and Fund surveillance priorities, the associated budget implications could then be more systematically assessed. Moreover, as priorities changed within the fiscal year, or more countries moved closer to a crisis, managers would have a more informed basis for making resource reallocations.

⁵ However, it is important not to overburden the system with detail, a problem that arose in many early ABC applications. Complex systems soon become costly to maintain and manage, reporting requirements became onerous and a source of friction, and the pay-off of accuracy and useful information is subject to rapidly diminishing returns.

28. **A number of specific benefits would flow from introducing an activity-based costing system:**

- It would move the Fund’s budget management systems in a direction consistent with the new income model, where more accurate information on what specific outputs cost is now required to support external financing for TA projects and to calculate charge-back costs for use of PRGF resources.
- It would highlight spending on low-value, relatively high-cost activities. A more informed debate as to whether to continue such activities, or whether there might be effective ways to reduce their cost, might then ensue.
- It would provide a framework for costing new mandates and investigating the trade-offs for introducing them. The ABC system would help to evaluate more objectively the options for generating necessary savings in other activities.
- It would help identify potential inefficiencies within the organization, particularly processes, that could be reformed or eliminated, potentially reducing work burdens or creating budget space.

29. **As a result, ABC would help to operationalize the MTB framework in a manner that transparently accounts for efficiency gains and policy changes.** In particular, the formulation of budgets under the framework discussed earlier this year by the Committee on the Budget would need to explicitly address changes in spending priorities—“New” initiatives that the Board endorses and “Old” ones that are to be dropped or scaled back. The framework might be represented by the following equation:

$$Budget_{t+1} = (Budget_t - Old_t) (1 + p_{t+1} - div_{t+1}) + New_{t+1}$$

This formula shows that annual budgets would be rolled forward by adjusting previous year spending, minus items that are to be discontinued, by the percentage change in the global external deflator, p_{t+1} , net of any efficiency gains/dividends, div_{t+1} that are explicitly imposed on the institution, and then adding in agreed new items. ABC would help to evaluate the trade offs in adjusting the spending mix for Old and New priorities.

30. **It should be stressed that an ABC system does not remove the value judgment from budgeting.** An ABC system illuminates relative costs or cost anomalies across similar types of products, and prompts the search for a deeper understanding of the reasons behind them. It also provides a framework for asking “what-if” type questions that brings objectivity to the choices the Board need to make in fitting expenditure within a given envelope.

IV. THE FY 10 CAPITAL BUDGET AND FY 10–12 CAPITAL PLAN

31. **Executive Board approval is sought for an appropriation of \$45 million for capital projects beginning in FY 10** (Table 9). The appropriation for FY 10 provides funding for building facilities and information technology (IT) projects, which can be accessed over a three-year period. Additional information on the capital budget is included in Appendix IV.

	FY 09	FY 10	FY 11	FY 12	Total
FY 09 Current Plan					
Building Facilities	17	19	22		57
Information Technology	32	26	23		80
Total	48	45	45		138
FY 10 Proposed Plan					
Building Facilities		15	17	23	55
Information Technology		30	28	24	82
Total Requested		45	45	47	137

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

32. **Directors are also asked to take note of the capital budget envelope proposed for the following two years, which, combined with the FY 10 budget, comprise the FY10–12 capital plan of \$137 million.** Relative to the FY 09–11 capital plan that the Board approved last year, the proposed FY 10–12 capital plan is constructed by adding FY 12 and keeping it constant in real terms relative to FY 11.

33. **The overall size of the capital budget is established in relation to external benchmarks for building facilities and IT.** Over the recent past, the annual appropriation for building facilities has been capped at 3 percent (on a moving average basis) of the asset replacement value of HQ1, historically the main physical asset of the Fund. The annual ceiling for total IT expenditures (administrative and capital) has been set at 11 percent of the Fund's aggregate net administrative and capital budgets.

34. **Significant progress has been achieved in establishing a new benchmark methodology for building facilities.**⁶ A facilities condition assessment approach, employing a Facilities Condition Index (FCI), has been identified as a likely methodology for anchoring the building facilities capital budget to the life-cycle replacement of the Fund's

⁶ An update to the existing methodology was considered necessary in light of the addition of HQ2 to the Fund's physical asset base, and to better reflect developments in industry best practices for assessing capital projects for building facilities.

four main physical assets (HQ1, HQ2, Concordia, and the Bretton Woods Recreation Center—BWRC) over a 10-year horizon.⁷

35. **The recent facilities condition assessment has identified mounting pressures from aging building systems in HQ1.** The largest section of the building is approaching 40 years old, and many of the major building systems (e.g., heating and air conditioning), while still operational, are approaching the end of their useful lives. Because significant additional investment of resources beyond the amounts indicated in this paper could be required over the next 10 years, staff are undertaking follow-up analysis on the way forward. As part of the analysis, staff will conduct independent facilities reviews to verify the scope and cost identified in the earlier findings. In addition, the Office of Internal Audit and Inspection (OIA) has undertaken a review of the capital budget. With these inputs, staff will propose the manner in which each of the four properties can best be managed, and this will be submitted in mid-2009 for the consideration of the COB.

36. **Identification of an updated IT benchmark will also be proposed in FY 10.** While the Fund’s IT spending is comparable to that of other IFIs (Table 10), the new benchmark will establish a stronger link between the spending threshold and the Fund’s IT strategy. It will also take account of other factors, such as the size and replacement cycle of the capital asset base.

Table 10. Selected IT Metrics—A Comparison, FY 07

Metrics	IMF	Other IFIs		
		Minimum	Maximum	Average
IT Spending as a percent of Institutional Spending	8.5	6.4	18.7	11.1
IT Admin Spending as percent of Institutional Admin Spending	6.5	4.9	16.4	8.4
IT Average Capital Spending as a percent of Total IT Spending	33.8	10.7	76.8	47.9
IT Spend per User or Cost per Seat in thousands of U.S. dollars	18.6	7.7	60.4	21.4

Source: Technology and General Services Department.

37. **Within this framework, the overall capital budget strategy is to finance projects that support the Fund’s response to the global crisis and to deliver “efficiency dividends.”** To support this, the FY10–12 capital plan proposes a phased reallocation of resources from the previous capital plan by shifting a total of \$9 million in funding (\$4 million in FY 10, and \$5 million in FY 11) from building facilities to IT. Staff believe that an increase in capital funds allocated to IT, relative to the levels set out in the FY 09–11 MTB, are justified by current conditions. Recognizing that existing benchmarks are under

⁷ The FCI is defined as the ratio of maintenance, repair and replacement deficiencies of the facility(ies) divided by the current replacement value of the Facility(ies).

review, the increased level of funding for IT is still well within the 11 percent benchmark that has been in place for the past several years.

- The resources reallocated to IT would be used to finance critical needs that have emerged over the past year, notably: (i) sustaining the Fund's response to the global financial crisis, including further development of the early warning system; (ii) strengthening the WEO; (iii) improving forecasting tools; and (iv) providing better internal and external collaboration capabilities. The implementation of travel process reforms, activity-based costing, and the human capital management (HCM) system are expected to deliver efficiency savings to the administrative budget, which will allow a smaller staff to be more effective and responsive.
- Building facilities projects in HQ1 and HQ2 that are already underway would be the primary focus of work during FY 10–11; this includes efforts to implement office reconfigurations, make pressing repairs/renovations, and introduce some upgrades to the Executive Boardroom audio visual capabilities. Other projects, mainly affecting the architectural appearance of HQ1 and the Concordia building, will be postponed or scaled back pending the results of the capital budget review. No projects have been delayed that invest in the structural or mechanical operations of the building for which a delay might compromise the building integrity, or where there exists an imminent risk of failure. Consideration has also been given to ensure that the temporary delay of some projects will not result in more costly repairs/improvements later.

V. SUPPLEMENTARY TABLES

Table 11. Budgeted Expenditures by Key Output Area and and Constituent Output, FY 08-12 1/
(in millions of U.S. dollars)

	FY 08	FY 09	FY 10	FY 11	FY 12
Global Monitoring	172	172	183	187	191
Oversight of the international monetary system	51	48	54	56	56
Multilateral surveillance	44	48	57	58	59
Cross-country statistical info. & methodologies	30	34	35	36	37
General research	4	3	4	4	5
General outreach	43	40	32	33	34
Country specific and regional monitoring	346	352	343	348	359
Bilateral surveillance	279	273	262	267	274
Regional surveillance	30	33	38	37	40
Standards and codes and financial sector assessments	38	46	43	44	45
Country programs and financial support	229	198	231	232	220
Generally available facilities	98	80	114	115	102
Facilities specific to low-income countries	130	118	117	118	118
Capacity Building	238	236	240	249	265
Technical assistance	167	167	175	186	199
External training	71	69	65	64	65
Total, excluding contingency reserves	984	958	997	1,017	1,034
Contingency reserves	10	9	7	9	19
Total gross expenditures	994	967	1,004	1,026	1,053
<i>Memorandum items:</i>					
Support	313	289	289	297	304
Governance	92	88	90	94	98

Source: Office of Budget and Planning.

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

1/ Support and Governance expenditures are allocated across outputs.

Table 12. Budgeted Expenditures by Key Output Area and Constituent Output, FY 08-12 1/

(in millions of FY 08 dollars)

	FY 08	FY 09	FY 10	FY 11	FY 12
Global Monitoring	172	166	169	166	163
Oversight of the international monetary system	51	46	50	50	48
Multilateral surveillance	44	46	53	52	51
Cross-country statistical info. & methodologies	30	32	32	32	32
General research	4	3	4	4	4
General outreach	43	39	30	29	29
Country specific and regional monitoring	346	338	317	310	306
Bilateral surveillance	279	263	242	237	234
Regional surveillance	30	32	36	33	34
Standards and codes and financial sector assessments	38	44	39	39	39
Country programs and financial support	229	190	213	207	188
Generally available facilities	98	77	105	102	87
Facilities specific to low-income countries	130	114	108	105	101
Capacity Building	238	227	222	222	226
Technical assistance	167	161	162	165	170
External training	71	66	60	57	56
Total, excluding contingency reserves	984	921	922	904	883
Contingency reserves	10	8	6	8	16
Total gross expenditures	994	930	928	912	899
<i>Memorandum items:</i>					
Support	313	278	267	264	260
Governance	92	84	83	83	84

Source: Office of Budget and Planning.

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

1/ Support and Governance expenditures are allocated across outputs. Based on the administrative structural budget.

Table 13. Budgeted Expenditure Shares by Key Output Area and Constituent Output, FY 08-12 1/

(In percent share of total gross expenditures, excluding reserves)

	FY 08	FY 09	FY 10	FY 11	FY 12
Global Monitoring	17.4	18.0	18.3	18.4	18.5
Oversight of the international monetary system	5.2	5.0	5.5	5.5	5.4
Multilateral surveillance	4.5	5.0	5.7	5.7	5.7
Cross-country statistical info. & methodologies	3.0	3.5	3.5	3.5	3.6
General research	0.4	0.3	0.4	0.4	0.4
General outreach	4.3	4.2	3.2	3.2	3.3
Country specific and regional monitoring	35.2	36.7	34.4	34.3	34.7
Bilateral surveillance	28.3	28.5	26.3	26.3	26.5
Regional surveillance	3.1	3.4	3.9	3.7	3.8
Standards and codes and financial sector assessments	3.8	4.8	4.3	4.3	4.4
Country programs and financial support	23.2	20.7	23.1	22.9	21.3
Generally available facilities	10.0	8.3	11.4	11.3	9.8
Facilities specific to low-income countries	13.2	12.3	11.7	11.6	11.4
Capacity Building	24.2	24.6	24.1	24.5	25.6
Technical assistance	17.0	17.5	17.5	18.2	19.3
External training	7.2	7.2	6.6	6.3	6.3
Total, excluding contingency reserves	100.0	100.0	100.0	100.0	100.0
<i>Memorandum items:</i>					
Support	31.5	30.2	28.9	29.2	29.4
Governance	9.2	9.2	9.0	9.2	9.5

Source: Office of Budget and Planning.

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

1/ Support and Governance expenditures are allocated across outputs.

Table 14. Estimated Expenditures by Major Expenditure Category, FY 08-12 1/

	FY 08	FY 09	FY 10	FY 11	FY 12
	Outturn	Estimated Outturn	Budget	Budget	Budget
(in millions of U.S. dollars)					
I. Personnel	714	647	730	749	764
<i>Of which:</i> Fund-financed 2/	685	616	685	700	708
II. Travel	94	87	94	98	96
III. Building and other expenditures	158	159	168	170	174
IV. Annual Meetings	0	0	5	0	0
V. Contingency Reserves	0	0	7	9	19
Total Gross Expenditures	967	893	1,004	1,026	1,053
Receipts	-76	-74	-100	-109	-121
Carry-forward spent	0	0	-25	-23	0
Net Administrative Budget (Structural)	891	818	880	895	932
<i>Memorandum items:</i>					
Travel (previous treatment)	94	87	103	107	105
Receipts (previous treatment)	-76	-74	-109	-118	-130
(in millions of FY 08 dollars)					
I. Personnel	714	622	675	666	652
<i>Of which:</i> Fund-financed 2/	685	592	633	622	604
II. Travel	94	84	87	87	82
III. Building and other expenditures	158	152	156	151	149
IV. Annual Meetings	0	0	5	0	0
V. Contingency Reserves	0	0	6	8	16
Total Gross Expenditures	967	858	928	912	899
Receipts	-76	-71	-92	-97	-103
Carry-forward spent	0	0	-23	-20	0
Net Administrative Budget (Structural)	891	787	813	796	796
<i>Memorandum items:</i>					
Travel (previous treatment)	94	84	95	96	90
Receipts (previous treatment)	-76	-71	-101	-105	-111
Number of working days	262	261	261	260	261

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

1/ Includes OED and IEO.

2/ Excludes personnel appropriations for externally-financed activities and for working days in excess of 260.

APPENDIX I—THE FY 09 ESTIMATED OUTTURN¹

A. Summary and Overview

- Budget execution in FY 09 has been significantly impacted by the restructuring exercise and the global financial crisis.** A higher number of staff volunteers (492) relative to a targeted reduction of 380 budgeted positions has led to a smaller staff complement on the administrative budget. In the midst of this downsizing, the global financial crisis picked up sharply. The Fund responded vigorously with new financial programs, new work on the architecture of the international financial system, intensified surveillance, and targeted technical assistance.
- Largely because of the higher-than-planned number of volunteers, an underrun of \$50 million on the net administrative budget is estimated for FY 09 as a whole.** Other parts of the budget—travel, building and expenses—are largely on track.
- Capital expenditures in FY 09 are projected to be within plan, and the restructuring budget, as before, is expected to be fully utilized.**

B. Administrative Expenditures by Input

- As described in Box 1 of the main paper, the projected \$50 million underrun on the net *Fund-financed* administrative budget is driven by lower-than-budgeted**

personnel expenditures and the unspent contingency reserve.

Looking at the Fund- and donor-financed budgets together yields the same underrun projection, but with a different presentation (Table I.1.). In particular, the projected underrun on personnel expenditures is \$50 million, comprising \$40 million in Fund-financed (structural) accounts and about \$10 million in the externally financed accounts. Lower externally-financed personnel

expenditures, however, will be offset by lower receipts (drawdowns of external donor funding), and thus will not impact the net outturn. In turn, these personnel savings are underpinned by the shift of 367 staff volunteering to separate from the administrative budget to the restructuring budget on May 1, 2008.

Table I.1. Administrative Budgets, FY 08–09
(in millions of U.S. dollars)

	FY 08 Budget	FY 09 Budget	FY 09 Est. Outturn
Personnel	723	697	647
Salary	425	417	377
Other Personnel Costs	299	279	270
Travel 1/	101	98	87
Buildings and Other Expenses	161	163	159
Contingency Reserve	10	9	-
Gross Expenditures	994	967	893
Less: Receipts 2/	71	99	74
Net Budget	922	868	818

Source: Office of Budget and Planning

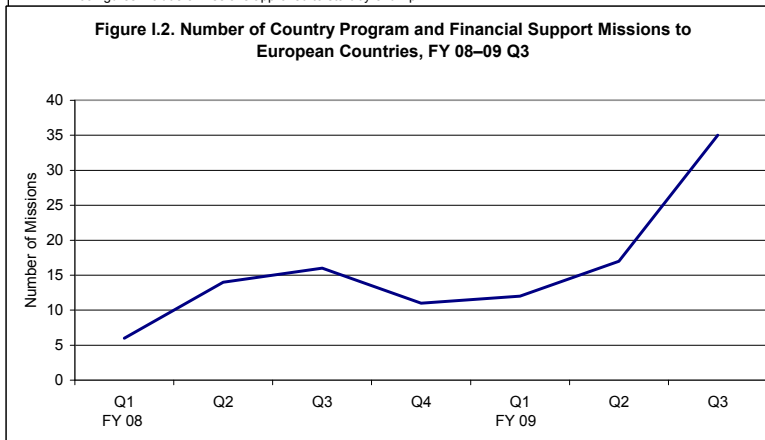
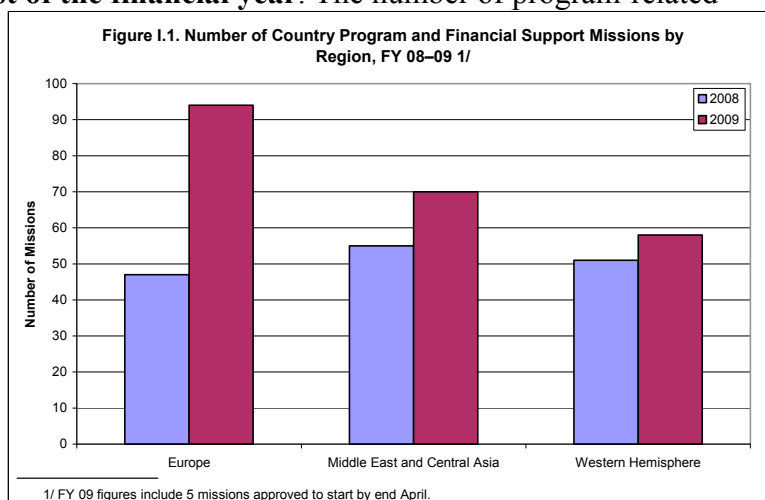
1/ The recording of travel rebates of \$9.6 million has changed. The budget recognizes this amount in receipts; with the implementation of the designated airline program, earned rebates are now recorded as credits against travel expenses.

2/ Figures based on the central estimate for receipts.

¹ This estimate was based on nine months of FY 09 data. It slightly differs by a margin of less than one percent from the final outturn figure, as published in the 2009 Annual Report.

5. **At the same time, the higher number of volunteers has not greatly affected the number of staff available to deliver the Fund’s outputs.** A majority of the volunteers have continued to contribute throughout the financial year, and many have agreed to modest deferrals in their separation dates in order to help their departments meet the demands of the financial crisis.

6. **Crisis-related travel has intensified in the third quarter of FY 09, and is expected to remain heavy through the rest of the financial year.** The number of program-related missions to the three regions most directly affected by the crisis has increased by over 40 percent in FY 09, relative to FY 08 (Figure I.1). Reflecting the intensity of the global financial crisis, program-related travel to countries in the European region alone is up by 70 percent, compared with the same time period in FY 08 (Figure I.2). This increase in crisis-related travel is expected to fully offset the slower travel volumes observed during the first half of the financial year; accordingly, business travel expenditures are expected to end the year at, or slightly above, the approved travel budget.



7. **Receipts are expected to end the year below budget, reflecting the new accounting treatment of travel rebates as well as a lower drawdown of donor financing.** As regards the latter, the slow start on externally-financed projects during the first half of the year has not been outweighed by the increased momentum during the second half. Receipts have also been negatively affected by lower-than-anticipated sales of Fund publications and a slower-than-planned phasing-in of the new parking rate structure.

C. Key Outputs

8. **The effects of the financial crisis have become more apparent as the year has progressed** (Tables I.2 and I.3). Most notably:

**Table I.2 Gross Administrative Expenditures by Key Output Area
and Constituent Output, FY 09 ^{1/}**

(In percent of share of total gross administrative and restructuring delay expenditures
unless otherwise indicated)

	FY 09			
	Budget	Q1	Q2	Q3
Global Monitoring	18.0	18.2	19.6	18.4
Oversight of the international monetary system	5.0	4.0	5.3	5.7
Multilateral surveillance	5.0	5.9	7.1	5.2
Cross-country statistical info. & methodologies	3.5	3.6	3.2	3.8
General research	0.3	0.6	0.7	0.3
General outreach	4.2	4.0	3.3	3.3
Country specific and regional monitoring	36.7	42.1	37.7	34.8
Bilateral surveillance	28.5	33.9	29.0	28.5
Regional surveillance	3.4	3.1	3.7	2.6
Standards and codes & financial sector assessments	4.8	5.1	5.0	3.7
Country programs and financial support	20.7	20.6	19.4	22.5
Generally available facilities	8.3	8.8	8.9	12.4
Facilities specific to low-income countries	12.3	11.8	10.5	10.1
Capacity Building	24.6	19.1	23.3	24.4
Technical assistance	17.5	14.8	16.7	17.6
External training	7.2	4.3	6.6	6.8
Total, excluding reserves	100.0	100.0	100.0	100.0
	(in millions of U.S. dollars)			
<i>Memorandum items :</i>				
Contingency reserve	9	n.a.	n.a.	n.a.
Support	290	61	75	70
Governance	88	18	21	18
Total gross administrative expenditures ^{2/}	967	173	219	200
<i>Restructuring expenditures for volunteers on delay ^{3/}</i>	72	12	15	9
Total gross administrative and restructuring delay expenditures	1,039	185	234	209

Source: Office of Budget and Planning.

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

^{1/} Support and governance expenditures are allocated across outputs.

^{2/} Includes contingency reserve.

^{3/} The budget for restructuring delay expenditures is not an annual appropriation. Most of the costs will be incurred in FY 09, but also in FY 10.

Table I.3. Selected Strategic Performance Indicators, FY 09
(Cumulative, unless noted otherwise)

	FY 09	
	Plan Annual	May-Jan
Global monitoring		
Oversight of the International Monetary System (IMS)		
Number of policy and analytical papers prepared for and distributed to stakeholders 1/	25	32
Cross-country statistical information and methodologies		
Number of statistical manuals and guides published 2/	23	23
General research 3/		
Number of research papers issued or published	262	184
General outreach		
Number of dissemination events (press conferences and speeches)	60	39
Number of interactions with external constituencies 4/	366	318
Regular General publications (F&D, IMF Survey, Annual Report)	223	162
Country specific and regional monitoring		
Bilateral surveillance		
Non-streamlined Article IV consultations concluded	147	136
Streamlined Article IV consultations concluded	6	9
Regional surveillance		
Number of regional surveillance reports completed 5/	2	2
Number of Regional Economic Outlooks prepared	10	4
Standards and Codes and Financial Sector Assessments		
FSAP assessments initiated	9	10
FSAP updates initiated	11	12
Stand-alone Fiscal and Statistical ROSCs assessments completed	9	6
AML/CFT assessments and updates completed	10	8
Country programs and financial support 2/		
Generally available facilities		
Upper credit tranche facilities (SBA, SRF, EFF and CFF)		
SBAs	7	13
EFFs	1	1
Emergency assistance facilities (ENDA and EPCA)		
EPCAs	4	4
ENDAs	2	1
Non-financial monitoring programs (PPM, SMP, other near program monitoring)		
PPMs	4	1
SMPs	4	3
Other near-program	4	5
Facilities specific to low-income countries		
Upper credit tranche facilities (PRGF and PRGF Exogenous Shocks Facility)		
Number of programs	31	26
Number of Policy Support Instruments (PSI)	5	4
Capacity building		
Technical assistance		
Number of TA reports	270	178
External training		
Participant training weeks (INS)	8,960	6,748

Source: Office of Budget and Planning.

1/ Board of Governors, IMFC, G-7, G-8, G-10, G-11, G-20, G-24, FSF, APEC, Development Committee, and ECOSOC.

2/ Stock at end of the quarter.

3/ Total research.

4/ With civil society organizations, legislators, other bodies, including think tanks and academia.

5/ Formal regional surveillance: CEMAC, ECCU, EU and WAEMU.

- **Country programs and financial support activities from the GRA increased by ½ percentage points in the third quarter alone.** Eight new stand-by arrangements totaling \$30 billion in commitment were approved, compared to six arrangements with \$2 billion in commitment in the second quarter.
- **Global monitoring:** resources have shifted from general outreach to multilateral surveillance and oversight of the international monetary system, reflecting a refocusing of the Fund’s work program on the global financial architecture and governance reform.
- **Country specific and regional monitoring:** resources have declined in all of the constituent activities as the year has progressed. While surveillance has intensified in a number of countries impacted by the crisis, many surveillance-related activities are being subsumed into program work.
- **Capacity building:** Both TA delivery and external training got off to a slow start in FY 09, largely reflecting staff turnover related to the restructuring. While this momentum was reversed beginning in the third quarter—aided by increased hiring of contractual experts--the redeployment of staff from TA activities to surveillance and program work on crisis countries is intensifying. On balance, the share of resources devoted to capacity building is likely to be slightly lower than planned for the year as a whole.

D. Capital Projects

9. **The FY 09 capital spending outturn is projected to be within plan** (Table I.4).

Within aggregate spending, execution on IT is expected to slightly exceed planned levels, while remaining within budget. Building facilities expenditures are lower than estimated in last year’s plan because some projects were paused, pending a review of the benchmark.

	Planned FY 09	Projected FY 09
Building Facilities	26	18
Information Technology (IT)	33	34
Total Building Facilities and IT	59	52

Source: Office of Budget and Planning.

E. Restructuring Expenses

10. **On March 21, 2008, the Executive Board approved a total of up to \$185 million in restructuring expenditures**, of which \$7.6 million for restructuring initiatives in OED. Appendix III provides additional information on the restructuring budget.

11. **At the end of the third quarter, restructuring expenditures of some \$57.6 million were recognized in the restructuring budget** (Table I.5). These consisted mostly of costs associated with the delay period and separation benefit payments.

- The average delay period is about 8.5 months. Therefore, the majority of volunteers will have moved from delay status to Separation and Benefit Fund leave status at the end of FY 09. Delay costs are expected to be about \$50 million by end-FY 09.

	May-Jan
Total	58
Delay costs	36
Separation benefit payments	20
Retooling and Outplacement	1

Sources: Office of Budget and Planning; and PeopleSoft Financials.

- Of the 444 volunteers covered by the restructuring budget, 110 will have left the Fund by the end of FY 09.

APPENDIX II—RECEIPTS

1. **Two main types of receipts contribute resources to the Fund’s administrative budget:** (i) external donor funding, representing about 75 percent of total receipts, and (ii) general receipts—which include revenues from cost-sharing agreements, publications, parking and office leases—together comprising about 25 percent of the total.

2. **The FY 10–12 MTB assumes significant growth in receipts, as was the case in the FY 09–11 MTB.** This trend is driven by the Board-endorsed strategy for technical assistance, which calls for a strengthened partnership with external donors and an externally-financed expansion of technical assistance activities. In particular, the receipts projections for FY 10–12 assume increased donor funding for:
 - *Regional technical assistance centers (RTACs):* The Fund plans to open four new centers, in addition to the six existing centers. A new technical assistance center for Central America (CAPTAC) is scheduled to open at the beginning of FY 10, while RTACs in Central Asia, Western Africa, and Southern Africa are in the planning stages.
 - *Topical trust funds* to finance work on specific high-demand areas of Fund TA: In particular, work to be financed by a new AML/CFT trust fund will commence in FY 10.

3. **A number of ongoing reforms will facilitate the planned increase in donor financing,** with the following reforms having an impact on the budget:
 - *Improved costing of technical assistance activities:* New modalities have been developed to ensure that TA costing is more comprehensive and transparent. These would be implemented through the new Framework Administered Account for Selected Fund Activities (SFA), following Board approval. As a result, the administrative fee for all subaccounts under the SFA would be replaced by a lower trust fund management fee, in line with international best practice.¹
 - *Strengthened country ownership of technical assistance:* A charging policy will be introduced in FY 10, with charges graduated according to country income.²

4. **General receipts are expected to remain broadly in line with the FY 09–11 MTB projections,** although the accounting treatment of airline travel rebates has been revised and,

¹ Direct project-related costs financed by donor funds provided under the SFA will include the costs of HQ staff time spent on TA delivery, including project management, backstopping (i.e., quality control of experts), and the costs of experts and staff in the field. See “Enhancing the Impact of Fund Technical Assistance,” and “Establishment of a new Framework Administered Account for Selected Fund Activities.”

² See “Policy for Country Contributions for Capacity Building.”

beginning in FY 10, expected rebates will be budgeted as credits to travel expenditures, rather than as receipts.

Table II.1. Receipts, Comparing the FY 08-10, FY 09-11 and FY 10-12 MTBs
(in millions of U.S. dollars)

	FY 08	FY 09	FY 10	FY 11	FY 12	MTB Total ^{1/}
A. FY 08-10 MTB						
Externally-financed capacity building	50-54	50	50	-	-	152
Technical assistance ^{2/}	45-49	45	45	-	-	136
Scholarships (including administrative fees)	5	5	5	-	-	15
General receipts	22	22	22	-	-	66
<i>Of which:</i>						
Fund-sponsored sharing agreements ^{3/}	6	6	6	-	-	18
Publications income	4	4	4	-	-	12
HQ2 leasing	-	-	-	-	-	-
Travel commissions and rebates	5	5	5	-	-	15
Total	71-76	72	72	-	-	217
B. FY 09-11 MTB						
Externally-financed capacity building	-	66	65-74	68-81	-	209
Technical assistance ^{2/}	-	60	60-69	63-76	-	194
Scholarships (including administrative fees)	-	6	5	5	-	15
General receipts	-	33	38	39	-	110
<i>Of which:</i>						
Fund-sponsored sharing agreements ^{3/}	-	5	5	6	-	16
Publications income	-	4	4	4	-	12
HQ2 leasing	-	2	5	5	-	12
Travel commissions and rebates	-	10	10	10	-	29
Total	-	99	102-111	106-119	-	319
C. FY 10-12 MTB						
Externally-financed capacity building	-	-	72	79-89	85-95	246
Technical assistance ^{2/}	-	-	67	75-85	80-90	232
Scholarships (including administrative fees)	-	-	5	4	5	14
General receipts	-	-	28	30	31	89
<i>Of which:</i>						
Fund-sponsored sharing agreements ^{3/}	-	-	5	5	5	16
Publications income	-	-	4	4	4	12
HQ2 leasing	-	-	3	4	5	12
Total	-	-	100	109-119	121-126	335

Source: Office of Budget and Planning.

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

^{1/} Totals based on central estimates.

^{2/} Includes the payments the Fund receives from donors towards administrative costs of providing externally financed technical assistance.

^{3/} Includes reimbursements principally provided for the World Bank for administrative services provided under sharing agreements, including the Joint Bank/Fund Library and the Bank/Fund Conference Office.

APPENDIX III—RESTRUCTURING BUDGET

A total of 492 voluntary separations were accepted by management as part of the restructuring and refocusing initiative. While the number of volunteers was above the targeted reduction of 380 budgeted positions, but the costs are projected to fit within the approved restructuring budget: this is mainly because the average length of service and average delay period are expected to be below those assumed in the initial estimates. Separation costs for three categories of volunteers, namely (i) department directors, (ii) staff leaving under rule of age 50, and (iii) staff on Leave Without Pay (LWOP), totaling 48 staff, are charged to the administrative budget. Costs for these volunteers were not included in the original restructuring budget and therefore were not considered part of the base.

1. **The total cost of 492 separations was estimated at \$200 million, comprised of \$128 million for SBF payments and \$72 million for costs associated with the delay period.** As noted above, three adjustments were made:

- (i) some \$12 million in separation costs for departmental Directors and LWOP volunteers was charged to the administrative budget. No reductions in force were contemplated at the Director level, but using SBF resources that are generally available under the administrative budget to facilitate the separation of Directors was deemed to serve institutional needs, for example, by providing opportunities for promotion; LWOP volunteers were also charged to the administrative budget because this group was not part of the FY 08 staffing component that was the basis for the downsizing exercise;
- (ii) the \$2 million cost of salary delays for staff opting for the Rule of 50 was charged to the administrative budget, as the restructuring budget only pertains to staff on SBF; and,
- (iii) the cost of staff leave in excess of 60 days earned prior to May 1, 2009, estimated to total \$5 million, was charged to the administrative budget. The staff leave was earned prior to the Fund's institutional restructuring and therefore reflects costs that arise from staff members' normal past service to the Fund and not the restructuring. Thus, this cost was recorded as a salary expense in the administrative budget and not as part of the restructuring budget.

2. **Total restructuring costs will be reflected in Fund accounts for up to four financial years.** In accordance with International Financial Reporting Standards (IFRS), the costs associated with the separation payments for staff, for which future services are not

expected, and a provision for outplacement and retooling expenses, were charged to FY 08 on an accrual basis. Costs associated with the delay period, during which staff will be paid salaries and will be providing services, will be charged to the financial year in which the expenditures are actually incurred, mostly in FY 09, but also in FY 10 and FY 11.

3. Total restructuring and refocusing expenses recorded during May–January 2009 were \$63.6 million

(\$57.6 million charged to the restructuring budget and \$6.0 million to the administrative budget).

Current assumptions on volunteer delays and more importantly on staff separation dates indicate a projected gap of some \$8 million in the total cost of separations (Table III.1). Current projections assume that the gap can be closed with savings, such as from earlier than planned departures of volunteers, in particular while on separation leave, and from lower retooling and outplacement costs. The total cost and the funding treatment of outsourcing also remain uncertain. Staff will keep these developments under review.

	Projected Outturn
(in millions of U.S. dollars)	
Restructuring Budget Ceiling	185
Provision for OED	8
Available to Staff	177
A. Cost of Volunteer Separations	193
Salary	127
Benefits	56
Contribution to the Staff Retirement Plan (SRP)	23
Tax Allowance (U.S. Nationals)	18
Medical Benefits Plan	7
Home Leave	5
Spouse and Child Allowance and Group Life	1
Education Allowance	2
Outplacement and Other Services	7
Retooling and Retraining	4
B. Cost of outsourcing	11
C. Total Costs (A + B)	204
D. Charged to the administrative budget	18
Salary	10
Benefits	3
Contribution to the Staff Retirement Plan (SRP)	2
Tax Allowance (U.S. Nationals)	1
Excess Annual leave	5
E. Assumed savings, e.g., early departures of volunteers, lower retooling and outplacement costs.	8
F. Net Costs (C - D - E)	177

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

APPENDIX IV—ADDITIONAL INFORMATION ON THE CAPITAL BUDGET

1. **This appendix provides supplementary information to the FY 10 capital budget.** It describes how projects are categorized into the different types of building facilities and IT portfolios, provides further details on how funds are used and released over the MTB, and gives an update on the governance structure. Individual project details will be provided on the Extranet.

2. **Building facilities comprise facility improvements, regulatory, replacement, and revenue generating programs:**¹

- *Facility improvement programs* include the creation of new facilities within the existing campus or upgrades to existing facilities to improve the work environment, provide enhanced functionality, and/or provide additional efficiencies.
- *Regulatory (including security) programs* are mandated by changes to building codes or industry regulations, or are considered to be essential for the protection of Fund staff and property.
- *Replacement programs* provide for the replacement of building structures or equipment for life-cycle reasons, business requirements, or to increase reliability to avoid high cost and risk of system failure towards the end of their life-cycle. The Facilities Condition Index (FCI) is one methodology to help establish funding levels for this program (Box IV.I).
- *Revenue generating programs* enable the Fund to develop with partners new business opportunities to earn income on a sustainable basis on existing capacity (e.g., the lease of space to the external restaurant and book binding store).

3. **IT projects are grouped into four major initiatives:**

- Projects in the *Enterprise Information portfolio* improve efficiency and address reputational risks through strengthened data collection and management. They also provide tools that enhance our analytical and crisis response capabilities, and enable staff to more effectively collaborate with internal and external colleagues and leverage our expertise and vast knowledge base, which spans many topics across all member countries.

¹ Another category is “major building works.” The construction of HQ2 has been the only major building works project in recent years; at present, no major building works projects are planned.

Box IV.1. New Facilities Capital Planning Methodology

The Facilities Condition Index (FCI)

- The FCI is defined as the ratio of outstanding building system deficiencies to the total building replacement value; it is one component of an assessment-based methodology and can be used to calculate the capital investment needed to replace existing building systems approaching the end of their useful lives.
- The FCI does not address new facilities, enhancements, or other improvements.

Physical Assessments

- Detailed assessments for each property are performed by third party experts on a three- to five-year cycle, and consist of component-level architectural and engineering inspections.
- The assessments identify current and future deficiencies based on the estimated remaining useful life of each component or system and are adjusted based on the inspector's observation of the actual condition.
- Results are logged, prioritized, and assigned an industry standard cost/repair value.

Development of the Life-Cycle Replacement Work Program

- The refined data are used as the basis for generating 10-year capital investment plans, and alternative medium-term budget scenarios can be modeled.

- Projects in the *Financial and Administrative portfolio* enable the capture of savings from major modernization and automation initiatives such as travel and TA reforms, and reengineering human resource and administrative financial activities.
- Projects in the *Infrastructure and Connectivity portfolio* deal with the life cycle replacements of computing, printing, and communications assets to ensure that the Fund continues to have a modern, cost-effective, secure, and robust IT environment.
- The *IT Planning and Management portfolio* enables, and strengthens the processes and practices underlying application development work that affect the entire IT function.

4. **The financing procedures of the capital budget have remained unchanged since the major reforms that occurred in FY 03, when the budget regime changed to a multi-year funding approach in which approved funds are available to projects for a period of three consecutive years.** Funds unused by the end of the three-year period lapse; projects that extend longer than three years require Executive Board approval of new funding appropriations.

5. **All capital projects are subject to careful scrutiny before funding is approved.** All IT capital projects are reviewed by a steering committee, which assesses project alignment with business needs, anticipated business outcomes, return on investment, and cost-benefit analysis (CBA). Building facility capital projects are evaluated based on need, urgency, and contribution to the life of the building and are not generally subject to CBA.

APPENDIX V—BUDGET REFORMS

1. **Over the past few years, substantial progress has been achieved in modernizing the Fund’s budgetary practices with a view to moving towards an output-based medium-term budget system, along the lines of those that have evolved in the public sectors of many advanced economies.** Box V.1 summarizes the main budget reforms of recent years.
2. **Further budget reforms have been proposed in the context of the FY 10–12 MTB to allocate resources in a more flexible and efficient fashion while delivering the targeted \$100 million in structural savings.** On December 2, 2008, the Committee on the Budget (COB) supported staff’s proposals for introducing: (i) carry forward provisions in the Fund’s administrative budget; (ii) more granularity in the standard costs used for personnel budgeting; and (iii) activity-based costing.

Carry Forward

3. **Carry forward will bring about greater flexibility in the use of central funds by facilitating redeployment of resources across time.** This is particularly relevant for implementing the significant restructuring and refocusing agenda embedded in the FY 09–11 MTB, as well as responding to the unfolding of the global financial crisis.¹ Additionally, carry forward will give departments more leeway to address timing issues in the execution of their work programs, and reduce incentives for inefficient year-end spending.
4. **Carry forward will not affect the *structural* budget as it will not enter into budget baselines, either at the department or Fund-wide level.** Carry forward will be implemented for the first time in FY 10, with a proposed maximum set at 6 percent of the FY 09 net administrative budget. The carry forward rate is expected to be lower in FY 11–12 and, in light of experience, a comprehensive review of the new policy will be undertaken by the end of FY 11.

More Granular Standard Costs

5. **As part of ongoing efforts to assign costs to Fund activities more accurately, Executive Directors supported the move to a new standard cost approach that will allow a more precise measurement of personnel costs, which account for more than two-thirds of the Fund’s administrative budget.** In particular, the costing of Fund staff activities—currently based on three standard costs (so-called REG1, REG2, and REG3)—

¹ Carry forward is the right to spend budget allocations beyond the period for which budgetary authority is normally granted.

will move to a standard cost for each grade, with the salary portion of the standard cost based on average salaries paid to staff in each grade and the benefits portion on a single benefit ratio. As discussed at the COB, the proposed FY 10–12 MTB has been formulated and will be monitored on the same basis as in the past, but new monitoring reports for each department—reflecting the impact of using standard costs by grade—will be introduced in FY 10. The FY 11–13 MTB will be formulated and monitored on the basis of a standard cost for each grade and the existing three-tiered standard costs will be discontinued, subject to the resolution of outstanding human resource issues, including workforce planning.

Box V.1. Main Budget Reforms, FY 06–09

- In FY 06, a new medium-term budget framework (MTBF) was adopted. The MTBF placed a greater focus on the Fund’s *net* budget in order to strengthen the link between the administrative budget and its financing through the Fund’s operational income. This has entailed Executive Board approval of an annual net administrative budget based on a central estimate of receipts, and a separate upper limit on gross administrative expenditures based on a higher estimate of receipts. Under the MTBF, in addition to an annual budget appropriation, there are indicative budgets for the two outer years that comprise the Fund’s three-year medium-term budget (MTB). Departmental business plans were also introduced. The MTB and departmental business plans are updated annually on a three-year rolling basis.
- In FY 07, a number of reforms were introduced: (i) the further devolution of budgetary responsibility and accountability to individual departments; (ii) the introduction of indicative dollar budgets for the Offices of the Executive Directors (OED); (iii) the further use of zero-based reviews of departments and administrative policies; and (iv) enhanced budget monitoring through quarterly reports to Fund’s management and Executive Board on budget execution and performance.
- In FY 08, a new output structure, recommended by a Fund wide Task Force on Performance Indicators, was adopted; the time-reporting system (TRS) and Travel Information Management System (TIMS) were aligned with the new structure. Performance indicators were also introduced at Fund-wide and departmental levels. A new IT infrastructure for budget formulation and monitoring, the integrated Budgeting and Business Intelligence System (iBBIS), was introduced .
- In FY 09, the Managing Director’s Statement on Strategic Priorities in the Medium-Term Budget anchored departmental business plans and the FY 09-11 MTB; at center was a major institutional restructuring and refocusing exercise entailing the reduction of 380 full-time equivalents (FTEs) and structural annual savings of \$100 million in real terms by FY 11, relative to the FY 08 budget. To facilitate an orderly and transparent adjustment process, the Executive Board: (i) reformed the budget framework to allow for separate and binding administrative budget appropriations for staff, as well as the OED and the Independent Evaluation Office (IEO) for each of the three years of the FY 09–11 MTB; (ii) established a restructuring budget with separate appropriations for OED and staff; and (iii) allowed staff—as well as OED and IEO personnel with the right to return to the staff—to volunteer for separation from the Fund.

Activity-Based Costing

6. **Responding to Executive Directors' calls, staff stepped up work to introduce activity-based costing (ABC) as a means to make more informed strategic decisions and to better allocate available resources to priority initiatives.** In tandem with the envisaged new standard cost approach, ABC will deliver the tools for assigning costs to the institution's outputs and services more accurately; allocating overheads and the cost of shared services in a more rigorous and robust fashion; identifying lower value-added activities, thus informing trade-off decisions and the redeployment of resources; streamlining the processes for the delivery of the institution's main outputs and activities; measuring efficiency savings; and, in the process, help reduce unnecessary burdens on staff, including unpaid overtime.

7. **Since December, management has appointed a panel of four distinguished external experts to advise the Fund throughout the ABC initiative.** The selection of ABC operational consultants to assist in the next stages of the initiative is also underway, supported by an independent firm that has been hired for this purpose. The external expert advisory panel comprises four world-renowned academics and practitioners in this field—Ian Campbell, Gary Cokins, Ian Clark, and Robert Kaplan—who have accepted to advise the Fund on a *pro bono* basis. On March 16–17, the panel convened for the first time at headquarters. Panel members held discussions with management and groups of Executive Directors, heads of departments and offices, and Senior Budget Managers representing a cross-section of Fund departments (area, functional, support and governance).