

**EXECUTIVE
BOARD
MEETING**

EBAP/21/11
Correction 1

May 24, 2021

To: Members of the Executive Board
From: The Secretary
Subject: **FY2022-FY2024 Medium-Term Budget**

Board Action:

The attached corrections to EBAP/21/11 (3/26/21) have been provided by the staff:

Evident Ambiguity

Page 26

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

Page 6

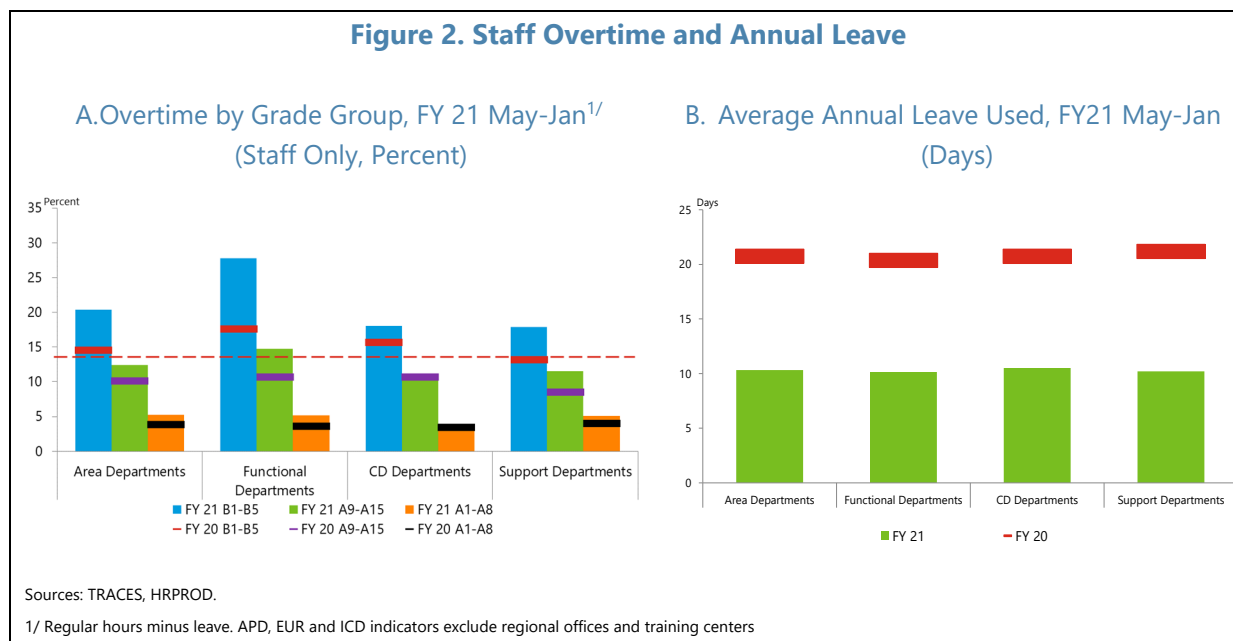
Questions:

Mr. Schimmelpfennig, OBP (ext. 34663)
Ms. Albino, OBP (ext. 39708)
Mr. Salerno, OBP (ext. 39050)

security expenditures in FY 17. While overall staffing increased during this period, this mainly reflects CD-related hiring funded through external resources and regularization of long-serving contractual employees as staff as part of a 2016 strengthening of the HR framework. Otherwise, pre-crisis staffing has been largely flat for some time (Figure 1, black dotted line). This discipline supported a lean, agile Fund and engrained the importance of continuous reprioritization and modernization.

3. **Budget challenges.** While budget prudence has served the Fund and its membership well, key pressure points have emerged:

- Unsustainable demands on staff.** As in past crises, work pressures on staff have spiked, as reflected in increased overtime (work beyond normal hours, uncompensated for staff above grade A9) and a sharp reduction in leave usage (Figure 2). The special nature of the current crisis, particularly the work-from-home (WFH) environment, has exacerbated these pressures, including for those with school-age children. At the same time, average mission length increased in the virtual environment-, with a survey of ~~SPR~~ some country economists suggesting a change of about 25-30 percent. Time differences have required significant off-hours work that has proved disruptive for many staff. While they are expected to support savings over time, key modernization projects have required significant staff engagement, further contributing to temporary pressures. With unprecedented program engagement and crisis-related work projected to continue for some time, demands on staff will remain high. To address these urgent needs, a temporary increase in staff (projected for 2-3 years) was funded during FY 21 through crisis-related reallocations. However, this increase depends on the continued availability of carry forward resources, or underspending from previous cycles, and does not address demands related to longer-term policy challenges.



E. Fund’s Income Position and Budget

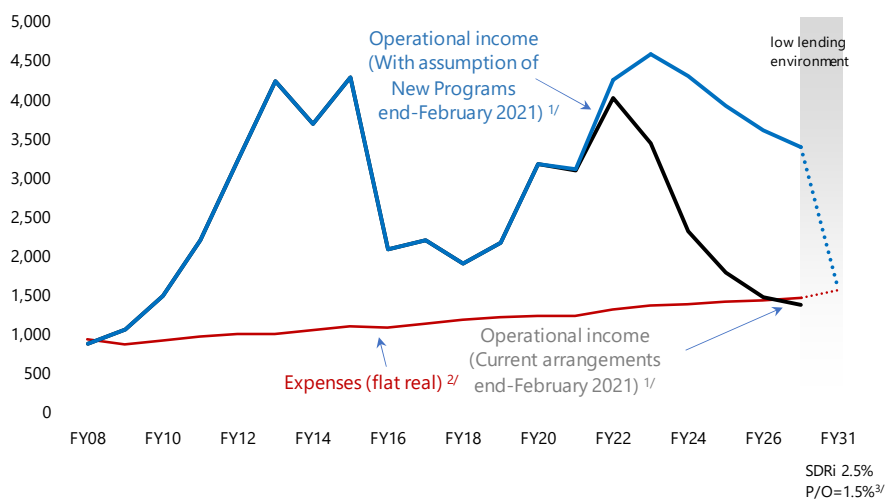
30. **Budget and Income.** The FY 22–24 budget is consistent with a projected surplus in the Fund’s medium-term income position and with continued progress towards the precautionary balance target. Income projections remain well above spending under a scenario that envisages new Fund programs, as projected by country desks. Given the relative scale of income to the Fund’s net administrative budget, these dynamics remain robust to increases to the budget, with 10 percent of the current budget base equivalent to about 3 percent of current income (Table 2). This scenario continues to maintain adequate reserve accumulation for [precautionary balances](#) to reach the new target of SDR 25 billion over the medium term. In a conservative scenario that assumes no additional new arrangements beyond those that have already been approved, and excluding the impact of any pension-related (IAS 19) gains or losses, operational income would still cover expenses through FY 26 (Figure 8).

Table 2. Operational Income and Net Administrative Budget FY 21-24
(Millions of U.S. Dollars, unless noted)

	FY20	FY21	FY22	FY23	FY24
Projected Operational Income	3,180	3,109	4,256	4,576	4,307
Percent change		-2.2	36.9	7.5	-5.9
Projected Net Administrative Budget	1,230	1,186	1,214	1,245	1,266
Percent of Income		38	29	27	29
Sensitivity (10% change in budget)			121	125	127
Percent of Income			2.9	2.7	2.9

Sources: Finance Department and Office of Budget and Planning.

Figure 8. Actual and Projected Income and Expenses—FY 08-31
(Millions of U.S. dollars)



Sources: IMF Finance Department and Office of Budget and Planning

^{1/} Operational income excludes IAS 19 gains and losses and includes investment income from the Fixed-Income Subaccount and payouts from the Endowment Subaccount. New programs include potential demand, based on desk assessments of the likelihood of a request.

^{2/} Assumes net administrative budget is constant in real terms.

^{3/} The illustrative scenario in FY 31 assumes SDR interest rate (SDRi) of 2.5 percent and endowment payouts of 1.5 percent of the NAV, credit outstanding to be SDR 20 billion, and the premium on investment return equal to 50 basis points.