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March 22, 2007

To: Members of the Executive Board

From: The Secretary

Subject: **FY2007 Administrative Budget—Projected Outturn**

The attached paper on the FY2007 Administrative Budget—Projected Outturn is being circulated as background for the forthcoming discussion on the FY2008–FY2010 Medium-Term Administrative and Capital Budgets, which is tentatively scheduled for discussion on **Wednesday, April 25, 2007.**

Questions may be referred to Ms. Diaz-Zurro (ext. 39750) and Mr. Errico (ext. 34788) in OBP.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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INTERNATIONAL MONETARY FUND

FY2007 Administrative Budget—Projected Outturn

Prepared by the Office of Budget and Planning

Approved by Barry H. Potter

March 22, 2007

Contents | Page

I. INTRODUCTION

1. **This paper presents the projected outturn for the FY2007 administrative budget, based on the information available on the implementation of the budget over the first three quarters of the year.** Section II summarizes the projected budget outturn for this, the first, year of the Fund's new Medium Term Strategy (MTS). Section III describes the execution of the FY2007 budget by main input—including receipts (more detail is provided in the appendix). Section IV provides an account of the emerging changes, relative to FY2006, in the pattern of outputs being delivered under the MTS.

II. FY2007 BUDGET: THE PROJECTED OUTTURN

2. **Staff project a small overall underrun of some $4 million on the net administrative budget for FY2007 (**Table 1)**,** after taking into account a proposed additional payment of $19 million towards meeting the cost of the Staff Retirement Plan (SRP) Service Credit Program. During FY2007, the estimate for the outstanding liability under this program was revised up to $21.1 million. Box 1 sets out proposals, which will be put before the Pension Committee, to discharge this outstanding liability in full over the next two months.

3. **The key points on the prospective outturn are as follows**.

- Gross administrative expenditures for FY2007 are projected at $955.5 million, exclusive of the proposed $19 million payment under the SRP service credit program, against the central estimate of $980.2 million, on which the net administrative budget was predicated. The gap of just under $25 million is equivalent to some 2.5 percent of gross administrative expenditures.

- Receipts are projected at $66.9 million, that is $1.4 million below the central estimate assumed in drawing up the net administrative budget.

- Thus, the projected outturn for the FY2007 net administrative budget (again exclusive of the proposed additional payment under the SRP Service Credit Program) is $888.6 million, as against the net budget figure of $911.9 million. The gap of $23.3 million is equivalent to some 2.5 percent of the net administrative budget.

- Allowing for the proposed additional payment towards the SRP Service Credit Program, the projected outturn on the net budget would be $907.6 million, just over $4 million below the FY2007 net administrative budget.

- In terms of inputs, all major categories of expenditure are expected to be within the relevant FY2007 budget provision/estimate—except for staff benefits, as a result of the proposed payment towards the SRP Service Credit Program (Box 1). Without this payment, staff benefits would also have come in under the relevant budget estimate (Section III and Appendix Section B).

- As explained in Section IV, the pattern of outputs is beginning to change to reflect the new priorities identified under the MTS (and also partly as a result of exogenous factors). In terms of the Key Outputs Areas (KOAs) and relative to FY2006, a greater share of administrative resources is being assigned to the global monitoring KOA, and within that category more is going to multilateral surveillance and general outreach. A higher share of administrative resources is also being devoted to the country specific and regional monitoring KOA, while the share for country programs and financial support is falling; and the share of resources allocated to capacity building is projected to be a little lower than last year, as was envisaged under the MTS.

4. **There remains some residual uncertainty about the projected outturn for FY2007.** The projections are still subject to risks in both directions: the last quarter of the year is always active, not least for capacity building work; and, in the past, there has been a tendency for this quarter to be especially active in financial years when the Annual Meetings are held outside Washington, D.C.

Table 1. Administrative Budget and Projected Outturn by Major Expenditure Category, FY2006–FY2007
(In millions of U.S. dollars)

	FY2006	FY2007		
	Outturn	Budget	Est. Outturn Projected (9-Month)	Est. Outturn Projected (9-Month) Including Additional Contribution to SRP Service Credit Program
I. Personnel	666.6	700.2	693.1	712.1
Salary	392.6	407.5	405.0	405.0
Benefits and other personnel expenditures	273.9	292.7	288.1	307.1
II. Travel	94.2	97.0	91.6	91.6
III. Building and other expenditures	169.6	174.9	165.3	165.3
IV. Contingency/Planning Reserve	n.a.	3.0	0.0	0.0
V. Annual Meetings	0.0	5.0	5.4	5.4
Gross Expenditures	930.3	980.2	955.5	974.5
Receipts	-56.0	-68.3	-66.9	-66.9
Net Administrative Budget	874.4	911.9	888.6	907.6

Source: Office of Budget and Planning.

Box 1. The Staff Retirement Plan Service Credit Program

- The SRP Service Credit Program was approved by the Executive Board in December 2002. It grew out of the policy on Categories of Employment, adopted by the Executive Board in January 1999, to address situations where employees performing similar functions were subject to different terms of employment. Once approved, the policy permitted staff with prior contractual service to purchase credit for such service under the SRP.

- During FY2007, the Fund's share of the liability under the program was estimated to be $42.7 million through the end of this financial year. To date, the Fund has made payments amounting to $21.6 million including interest earned. That leaves an outstanding Fund liability of $21.1 million as of April 30, 2007.

- The existing amortization schedule envisages payments of just under $4 million per year over the seven year amortization schedule through FY2014 for a total cost of $27.9 million.

- Instead, two payments are now proposed—$19 million within FY2007 and the remaining $2.1 million early in FY2008 (totaling $21.1 million) to discharge the Fund's liability over the next two months. This payment pattern would save the Fund $6.8 million in accumulated interest costs over the next seven years and permit the Fund's obligations to be met in a timeframe roughly coincident with the staff contributions.

- The Pension Committee, and thereafter the Executive Board, will thus be asked to approve an additional contribution of $19 million this year, permitting the final amortization payment of $2.1 million to be made early in FY2008.

Anticipated Service Credit Program Payments

Fund Liability through April 30, 2007	$42.7 million	
Fund payments with interest to date	$21.6 million	
Remaining unpaid liability	$21.1 million	
	Current Schedule of Payments	Proposed Schedule of Payments
Planned payments: $4 million per year for 7 years	$27.9 million	
Proposed payments $19 million in FY2007 plus $2.1 million on May 1, 2007		$21.1 million
Total Cost	$49.5 million	$42.7 million
Savings		$6.8 million

Source: Office of Budget and Planning.

5. **On the basis of the projected outturn, however, staff have reviewed the reasons for the projected 2.5 percent gap between the FY2007 outturn and budget.** The main factors include the following.

- This is the first full year the Medium-Term Strategy has been in operation, and represents something of a transitional period. Some of the consequent reductions in departmental budget provisions were made at the start of the year. But the resources for several new initiatives were held at the center by OBP, as a special MTS-related reserve, and released only as particular projects—outreach events, etc.—came to fruition. These reserves will not be fully released and expended this year, as the transformation to the new pattern of activity is not expected to be complete until FY2008.

- Staff in functional departments planning both capacity building work and FSAPs/ROSCs program their work carefully over the course of the year to make the most effective use of the resources available to them. This year, however, there have been an unusual number of last minute requests from country authorities to postpone such (discretionary) work. Even a short delay can have a knock-on effect on the planned delivery dates of other mission work, effectively meaning that some work planned for the last quarter of this year has to be delayed until FY2008. The end result of such delays (particularly in the second half of the year) in capacity building missions and field work on standards and codes is to hold back expenditures on travel and on the salaries of experts.

- Departments are having to manage their tighter FY2007 budgets more cautiously than in past years. But not only are departments managing this year's budget with caution, they are conscious that, over the medium term, their budgets will be shrinking further in real terms. This is causing a number of departments to hesitate before filling staff positions, leading to vacancy rates that are higher than departments initially set in drawing up their business plans, with a downward impact on salary and benefit expenditures this year. There seems to have been some over-adjustment this year, however, in this respect: if departments adapt their behavior next year, then the effect will prove temporary; were it sustained the outcome would be a small underrun on the FY2008 budget also.

Accordingly, staff's view is that there are identifiable factors holding actual expenditures this year below their underlying level, and that these factors are largely transitional and temporary in nature.

III. Main Inputs and Receipts

6. **In terms of the main (input) categories of expenditures, the key points are as follows**:

- **Salaries**: a small underspend (less than 1 percent of the budget figure) on the salary bill is projected. The average salary for staff has not declined as assumed in the budget, but the impact has been more than offset by fewer staff Full Time Equivalents (FTEs)—in other words, a higher than budgeted staff vacancy rate. Compensation expenditures for experts and other contractual employees are also projected to be some $1.5 million under the budget assumptions.

- **Benefits:** again a small underspend on staff benefits of 1 to 2 percent of the budget figure is projected (and principally related to the rising staff vacancy rate), before allowing for the proposed additional contribution to the SRP Service Credit Program.

- **Travel:** expenditures are projected to be just under 5 percent below budget. In nominal terms, they are projected to be lower than last year (excluding the addition made to the travel budget for the extra expenditures incurred in holding the Annual Meetings overseas). Expenditures on charter flights are projected to be considerably lower than last year.

- **Building and other expenses**: this category is also projected to be about 5 percent below budget. While lower than expected utility bills and less use of external consultants than budgeted were contributory factors, the underrun is principally driven by the limited use of the MTS reserves, held by OBP and classified under this category.

- **Receipts**: the estimated outturn for receipts is $66.9 million —about $1.4 million below the central estimate made for the FY2007 budget. The major reason for the lower projected level of receipts is that some capacity building projects were delayed, and thus the drawdown of external finance will be lower than assumed in the central budget estimate.

7. **A more detailed account of budget execution to date and the projected outturn by each category of expenditure is provided in the appendix.**

IV. Outputs and Activity Indicators

8. **Table 2 presents a breakdown of FY2007 gross administrative expenditures in terms of the administrative resources devoted to the four Key Output Area (KOAs) and the 12 constituent outputs** (the classification adopted following the recommendations of the second Task Force on Performance Indicators). Column 3 indicates the observed pattern of resource allocation at the nine-month mark, while column 4 provides a projected outturn for the year as a whole.[1]

[1] The projection is mechanical in nature: it was derived by assuming that the pattern of resources devoted to the Fund's outputs in the fourth quarter relative to the aggregated first three quarters will be the same in FY2007, as

(continued)

Table 2. Estimated Gross Administrative Expenditures and Projected Outturn by Key Output Area and Constituent Output, FY2006-FY2007
(In percent share of total gross expenditures, excluding governance and contingency reserve)

	FY2006 Outturn		FY2007		
	Old Basis	New Basis 3/	Estimated 1/, 2/	May - Jan	Projected Outturn
Global Monitoring	15.2	13.8	14.1	14.3	14.2
Oversight of the international monetary system	3.7	4.1	...	4.0	3.8
Multilateral surveillance	3.2	3.2	...	4.1	4.0
Cross-country statistical information and methodologies	3.6	3.5	...	3.3	3.2
General research 3/	1.6	...	...	0.1	0.1
General outreach	3.1	3.0	...	2.8	3.1
Country specific and regional monitoring	33.3	34.2	33.9	37.0	36.7
Bilateral surveillance	26.3	27.0	...	31.1	30.6
Regional surveillance	2.16	2.2	...	2.6	2.6
Standards and codes and financial sector assessments	4.9	5.0	...	3.3	3.6
Country programs and financial support	26.1	26.5	27.2	25.7	25.1
Generally available facilities	15.5	15.4	...	14.1	13.7
Facilities specific to low-income countries	10.7	11.1	...	11.7	11.4
Capacity Building	25.3	25.5	24.8	23.0	24.0
Technical assistance	20.8	20.9	...	19.3	20.0
External training	4.5	4.6	...	3.7	3.9
Total, excluding governance and contingency reserve	100.0	100.0	100.0	100.0	100.0
Governance 4/	9.2	9.2	9.8	10.4	9.7
Contingency Reserve 4/	n.a	n.a	0.3	n.a	n.a
Total gross expenditures (millions of U.S. dollars)	930.3	930.3	980.2	652.1	955.5

Source: Office of Budget and Planning.

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

1/ Budget estimates based on departmental business plans. From FY2007, the Executive Board approves the net administrative budget, based on a central estimate of receipts, and an upper limit on gross expenditures, based on a higher estimate of receipts. Accordingly, there is no gross expenditure budget but rather a gross expenditure estimate.
2/ For the FY2007 budget, departments provided estimates of expenditures only at the KOA level. For FY2008 and beyond, departments will provide estimates at the level of the 12 constituent outputs.
3/ The marked decline of the shares of resources devoted to "general research" between FY2006 and FY2007 reflects the new classification of the Fund's outputs adopted in November last year. Under the new classification, relevant research is attributed to the output to which it pertains, leaving "general research" as a residual.
4/ Contingency reserve and governance shares are calculated as a percent of total gross administrative expenditures.

that observed in FY2006. This should replicate the perennial tendency, for example, for there to be a pick up in activity on capacity building in the final quarter of the year; however, patterns do change from year to year, especially when the Annual Meetings are held outside Washington, D.C., and there is a significant margin of error around the full-year outturn projection.

9. **Table 2—and specifically comparisons with the FY2006 outturn figures—thus provides a first indication of how far the pattern of administrative resources devoted to the delivery of the Fund's various outputs is shifting to reflect the new priorities identified under the MTS.**[2] Specifically the figures indicate that thus far in FY2007:

- **A higher share of administrative resources is being devoted to global monitoring**, notably multilateral surveillance and reflecting, in particular, the new multilateral consultations exercise and the expansion of CGER work to a larger number of countries.

- **A higher share is also going into country specific and regional monitoring**. Significant additional resources have been devoted to financial sector surveillance—a clear priority under the MTS. In particular, MCM has considerably expanded its support to area departments by providing staff (or contractual experts) for some 65 Article IV consultations (projected through the end of FY2007), compared with 42 in the whole of FY2006. More resources are also being devoted to regional surveillance exercises, while to date 10 Article IV consultations have been streamlined; and staff and travel resources have also been redeployed from other surveillance activities, especially ROSCs (11 completed to date vis-à-vis 22 planned) and FSAPs (5 initiated to date vis-à-vis 10 planned, which includes both FSAPs and FSAP Updates).[3]

- **The share of resources being devoted to country program and financial support work is lower,** largely reflecting fewer Fund-supported programs than budgeted. Departmental business plans were based on Fund-supported financial programs and near-programs with 76 member countries, whereas the end-January count indicates that there were only 69.[4] Within this total, there were 15 fewer Fund-supported financial programs in operation, but 8 more countries in near-program status (Table 3). (However, these are end-period figures and a number of now concluded Fund-supported financial programs and near-programs were in operation during the year and consumed administrative resources.) Countries in the near-program status

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[2] The FY2006 data have been revised to reflect a different treatment of research work (consistent with the treatment of research in FY2007): thus, research activity is now included under each of the four KOAs as relevant, rather than being added together as a single research category. (A total for research work can nonetheless still be provided.)

[3] Most of the FSAPs/FSAP updates postponed to FY2008 were delayed at the authorities' request because of scheduling conflicts.

[4] Near programs countries are all those countries where staff, with management approval (i.e., management has cleared a brief to negotiate a program) is intensively involved (or is expected to be intensely involved) in discussions of a program likely to be in place within a year's time and all staff monitored programs (SMPs).

require somewhat less resources than those with financial programs in place, but they continue to be significantly more resource intensive than surveillance–only countries.

The share of resources being devoted to capacity building up to end-January is also lower, but the outturn for the year as a whole may come in closer to the aggregated departmental business plans. The lower than expected allocation of resources to capacity building work to date, and within that category principally to technical assistance, reflects a number of factors. First, there has been a lower than planned drawdown of donor funds because of delays in implementing some capacity building projects, such as projects for Iraq because of the security situation. Second the trend of recent years of moving away from the employment of long-term and to short-term experts seems to have gone further than initially expected. This has led to lower than projected personnel, and slightly higher travel, costs for experts but overall less than anticipated administrative expenditures. Finally, some redeployment of staff (and to a much lesser extent contractual expert resources) has taken place from capacity building work to stepped-up support to bilateral and regional surveillance. That said, however, it is projected that, at the full year outturn, the share of resources devoted to capacity building work will be slightly higher than at the nine-month mark, given the increased pace of capacity building activity, relative to other work, that typically occurs in the fourth quarter of the financial year.

10. **Table 3 presents the information available on activity indicators over the first three quarters of FY2007.** The shortcomings of the existing indicators have been discussed previously with the Committee on the Budget in the context of the introduction of new Performance Indicators. Thus, the present activity indicators will be replaced, as from next year, by new performance measures: a top priority for the new measures is to identify strategic output indicators, better aligned with the 4 KOAs and 12 outputs. Despite their (acknowledged) shortcomings, the data do tend, broadly at least, to confirm the picture emerging from the information on the allocation of administrative resources to outputs:

- As noted, there have been a number of delays in work on ROSCs and FSAPs at the request of the authorities. The activity indicators suggest lower delivery both relative to business plans and to FY2006.

- The indicators on capacity building are more challenging to interpret: while the figure on TA reports might suggest activity is running ahead of both last year and the FY2007 business plans, the more comprehensive (and to date primary measure) of outputs, TA person years, would suggest a small under delivery relative to plans and last year—a picture consistent with the information on resource inputs.

- The information on external training activities to date is consistent with close to full delivery of business plans for such work, representing a small increase in the number of courses delivered relative to FY2006.

Table 3. Activity Indicators, FY2006–FY2007

	FY2006 Outturn	FY2007 Planned	FY2007 May-Jan.	Percent Completed
1. Global Monitoring				
Board policy papers 1/	26	22	9	40.9
Methodology manuals and compilation guides under implementation	24	22	20	90.9
2. Country Specific and Regional Monitoring				
Surveillance status (countries) 2/	114	117	123	n.a.
Intensive (end of period)	36	39	43	n.a.
Standard (end of period)	78	78	80	n.a.
Board meetings 3/	148	164	125	76.2
Of which: Article IV consultation discussions	131	...	101	...
Regional Surveillance	13	...	6	...
Regional Outlooks issued	7	...	6	...
Board policy papers 1/	274	156	125	80.1
ROSCs completed 4/	24	22	11	50.0
FSAPs initiated 4/	13	10	5	50.0
FSAPs completed 4/	12	13	11	84.6
GDDS participants (end of period)	89	94	94	n.a.
SDDS participants (end of period)	62	65	64	n.a.
3. Country Programs and Financial Support				
Program status (countries) 2/	78	76	69	n.a.
Financial facilities (end of period)	53	59	44	n.a.
Near program (end of period)	25	17	25	n.a.
Board meetings 3/	129	137	74	54.0
Board policy papers 1/	243	175	140	80.0
4. Capacity Building				
Total TA delivery (persons years)	314	324	236	72.9
TA reports 5/	286	280	228	81.4
Courses, seminars, and workshops conducted 6/	296	310	233	75.2

Source: Office of Budget and Planning.

1/ Board documents and policy papers are agenda items for the Board, including those produced jointly with other departments.
2/ The number of entities under surveillance or program status is 192; these include the IMF's 184 countries plus the Euro Area and a number of territories and other entities.
3/ Includes informal Board meetings.
4/ Figures adjusted to account for misclassification.
5/ FY2007 activity data from one department was reclassified to provide a more homogenous aggregation of TA reports.
6/ Courses, seminars and workshops are external training for which the Fund is the main organizer. Data was adjusted to provide a homogenous aggregation of seminars.

APPENDIX
FY2007 BUDGET—THE NINE MONTH FIGURES AND PROJECTED OUTTURN

11. This appendix provides information on the execution of the budget by category of expenditures over the first three quarters of FY2007 (Table 4 and Figure 1) and the projected outturn for the year as a whole.

A. Salaries

12. The rate of utilization of the salary budget at the nine month mark is slightly lower compared with the same period in FY2006. The average salary has not declined as assumed in the budget, but the impact of a higher than average unit cost has been more than offset by fewer FTEs over the year, than implied by the budgeted staff vacancy rates. Compensation expenditures for experts and other contractual arrangements are also running at a lower rate than assumed in the budget.

13. In more detail:

- The average staff salary is about 3.5 percent higher than last year's average, and thus above the 2.1 percent assumed in formulating the FY2007 budget. The 2.1 percent figure was based on an increase in the merit envelope of 3.6 percent minus a recovery rate of 1.5 percent—Box 2 explains the concept of the Recovery Rate. It is not expected that the currently observed recovery rate of 0.1 percent will change significantly by year-end. This is mainly because the separation of many of the (mostly senior) staff under the Staff Restructuring Initiative and the Staff Benefits Fund is not expected to take place until the last month of FY2007; hence the effect on the recovery rate in this financial year will be minimal.

- The impact of the higher average staff salary on the salary bill has been more than offset by fewer FTEs than planned, reflected in the higher-than-budgeted staff vacancy rate (Figure 2). The cumulative staff vacancy rate increased to 5.9 percent in January, compared with 5.6 percent in October. It is expected that the cumulative staff vacancy rate will reach at least 6.1 percent by the end of the financial year, as separations continue to outpace appointments. Departments are managing and adjusting their resources, not only based on this year's tight budget, but also with a view to an even tighter budgetary stance over the next few years. Up to the end of January, there has been a net outflow of some 25 staff (Figure 3).

- In aggregate, compensation expenditures for experts and other contractual employees are running slightly below their budgeted level. This is consistent with the information to date on delays in both some capacity building work and the field work on FSAPs/ROSCs—the main areas in which short term experts are employed. The underspend in this category is expected to be about $1.5 million for the year as a whole.

- For FY2007, it is projected that compensation expenditures overall will be less than 1 percent under budget.

Box 2. The Recovery Rate

- In formulating the administrative budget, OBP makes an assumption about the recovery rate. This is the assumed reduction in average staff salaries over the course of the year, brought about by staff members leaving or retiring (often at levels above the mid-points of each salary grade), and externally recruited incoming staff and staff promoted internally to higher grades (often below the mid-points for each grade).

- The recovery rate is the extent to which the May 1 percentage cost of the merit pay envelope (the combined amount of the structural salary award and the comparatio adjustment) is offset by a decline in average salaries during the year.

- In principle, if the pattern of personnel changes (i.e., retirements, separations, promotions and appointments) were such as to leave unchanged the average salary in each grade relative to the mid-points, the comparatio adjustment and the recovery rate would fully offset each other.

- Based on past years' experience, the recovery rate has traditionally been set at 0.2 percent below the comparatio figure, when estimating the staff salary budget.

- For FY2007, OBP assumed a 1.5 percent recovery rate. As noted in the main section, this figure will not be achieved: only a small decline in the average salary is expected for the year as a whole. Staff turnover has been slower than in previous years. This is in part because, in their recruitment practices, departments are taking into account not only the present budget constraint but the tighter budgets over the medium term. In addition, the departure of a large number of senior staff (in particular under the SRI and SBF) will not occur until the last month of the year and hence some of their subsequent replacement by lower paid staff will not take place within this financial year.

Table 4. Administrative Budget: FY2006–FY2007 1/
(In millions of U.S. dollars)

	FY2006		FY2007	Budget Execution: May-Jan. 2/				
	Outturn	In Percent of Budget	Budget	FY2006	FY2007	FY2006	FY2007	Change
						(in percent of budget)		
Personnel	666.6	101.2	700.2	478.7	496.5	72.7	70.9	-1.8
Salary	392.6	99.5	407.5	285.6 3/	294.7	72.4	72.3	0.0
Other Personnel Costs	273.9	103.8	292.7	193.1	201.9	73.2	69.0	-4.2
Staff Retirement Plan	90.5	114.3	83.8	60.3	59.6	76.2	71.1	-5.1
Other Benefits 4/	183.4	99.2	208.9	132.8	142.3	71.9	68.1	-3.8
Travel	94.2	94.8	97.0	57.4	51.4	57.7	53.0	-4.7
Business	80.4	92.8	84.3	48.8	42.6	56.4	50.5	-5.8
Other	13.8	107.8	12.8	8.6	8.8	66.8	69.1	2.3
Buildings and Other Expenses	169.6	95.3	174.9	104.7	98.9	58.8	56.5	-2.3
Building Occupancy	57.3	94.9	57.6	37.8	34.8	62.6	60.5	-2.1
Information Technology	41.2	95.8	43.5	27.5	27.5	63.9	63.3	-0.5
Communications	14.8	100.7	13.5	8.5	8.7	57.9	64.1	6.2
Subscriptions and Printing	14.6	93.6	14.8	9.3	9.6	59.8	65.1	5.3
Supplies and Equipment	9.7	105.4	8.0	4.9	4.2	53.4	52.5	-0.9
Miscellaneous	32.0	91.4	37.6	16.7	14.0	47.6	37.3	-10.3
Contingency Reserve	n.a.	n.a.	3.0	n.a.	n.a.	n.a.	n.a.	n.a.
Annual Meetings	0.0	0.0	5.0	0.0	5.3	n.a.	105.4	n.a.
Gross Expenditures 5/	930.3	99.3	980.2	640.8	652.1	68.4	66.5	-1.9
Less: Receipts 5/	56.0	92.0	68.3	36.0	42.0	59.1	61.5	2.4
Net Budget	874.3	99.8	911.9	604.8	610.1	69.0	66.9	-2.1

Sources: Office of Budget and Planning and PeopleSoft Financials.

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

1/ From FY2007, the Executive Board approves the net administrative budget, based on a central estimate of receipts, and an upper limit on gross expenditures, based on a higher estimate of receipts. Accordingly, there is no gross expenditure budget, but rather a gross expenditure estimate.

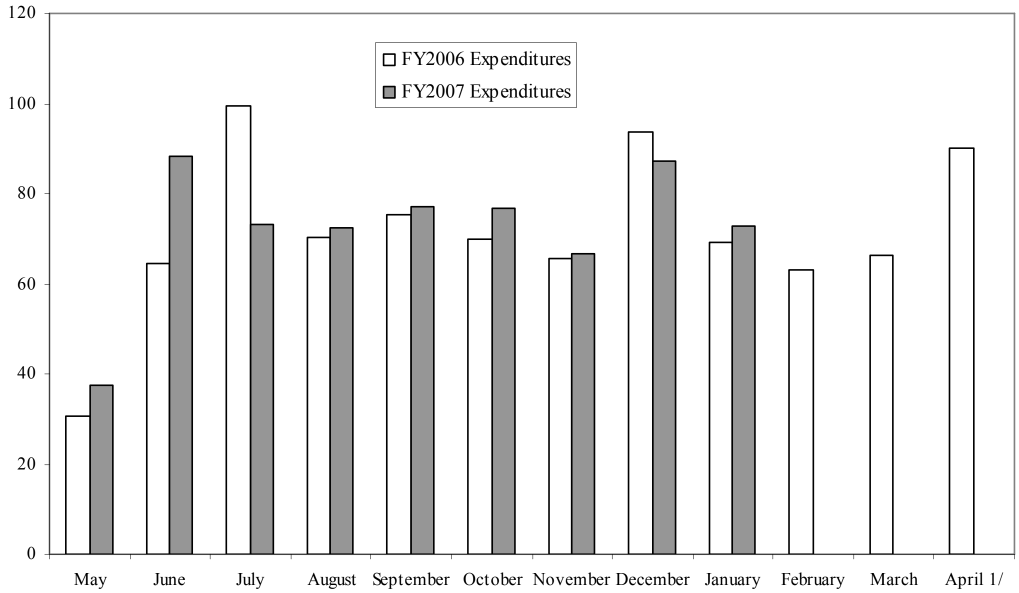
2/ For FY2006 and FY2007, the data exclude reversals of accrued expenditures from the previous year for the Separation Benefits Fund, Bank/Fund joint-sharing agreements, and other miscellaneous revenues.

3/ Includes the 2 percent compensation adjustment of \$6.4 million for regular staff that was paid on July 1, 2005: the \$5.8 million accrual for FY2005 was then reversed.

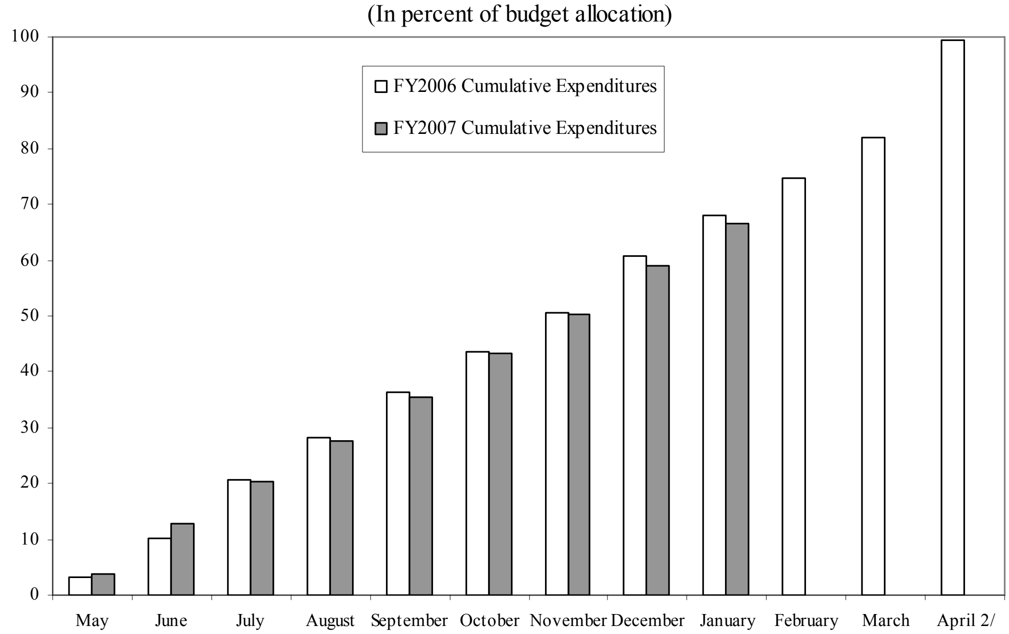
4/ As of FY2006, the 401K and the old pension scheme were reclassified from the Staff Retirement Plan to Other Benefits without a net effect on the outturn.

5/ From FY2007, based on the central estimate for receipts.

Figure 1. Monthly Gross Administrative Expenditures, FY2006–FY2007
(In millions of U.S. dollars)



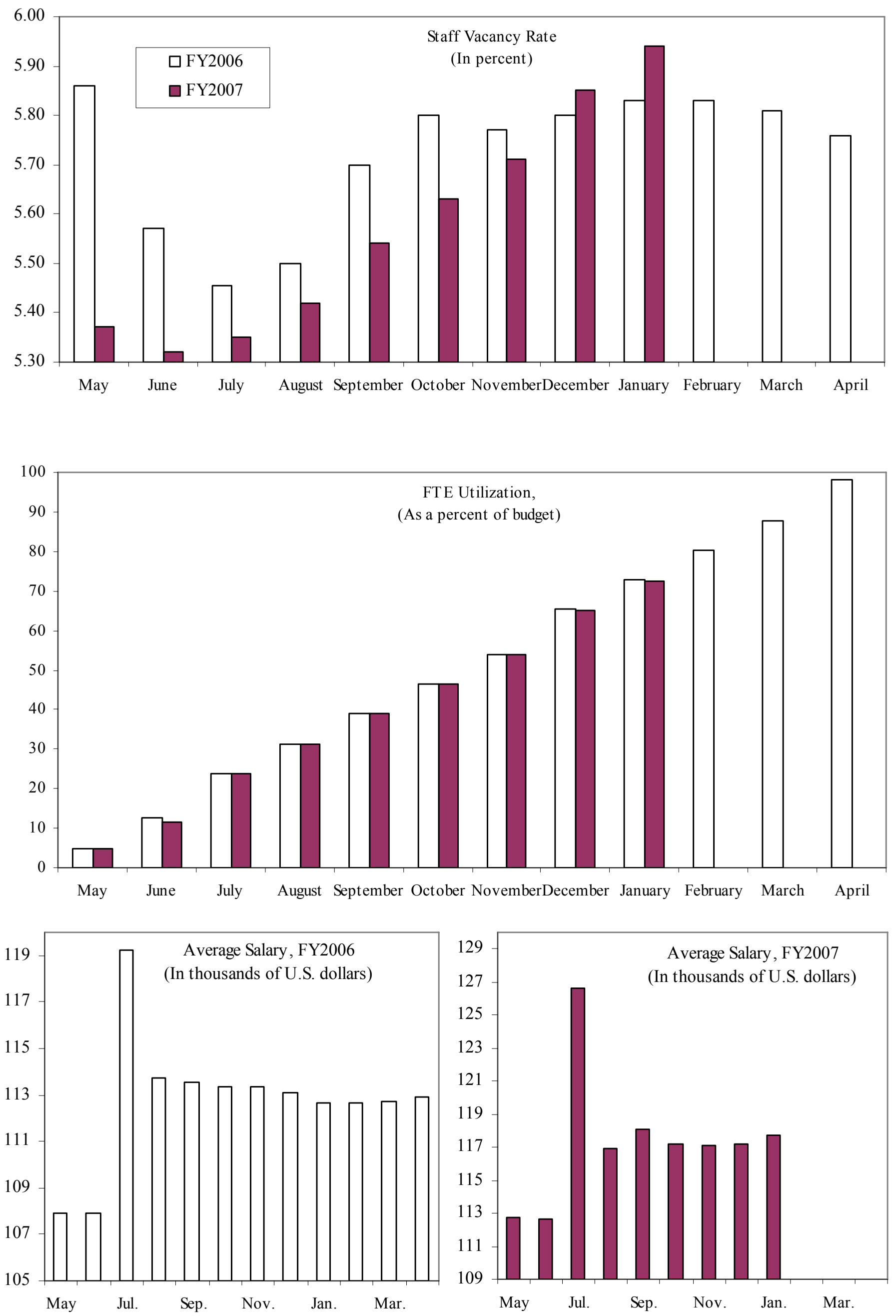
(In percent of budget allocation)



Source: Office of Budget and Planning.

1/ Excludes end-of-year accruals.
2/ Includes end-of-year accruals.

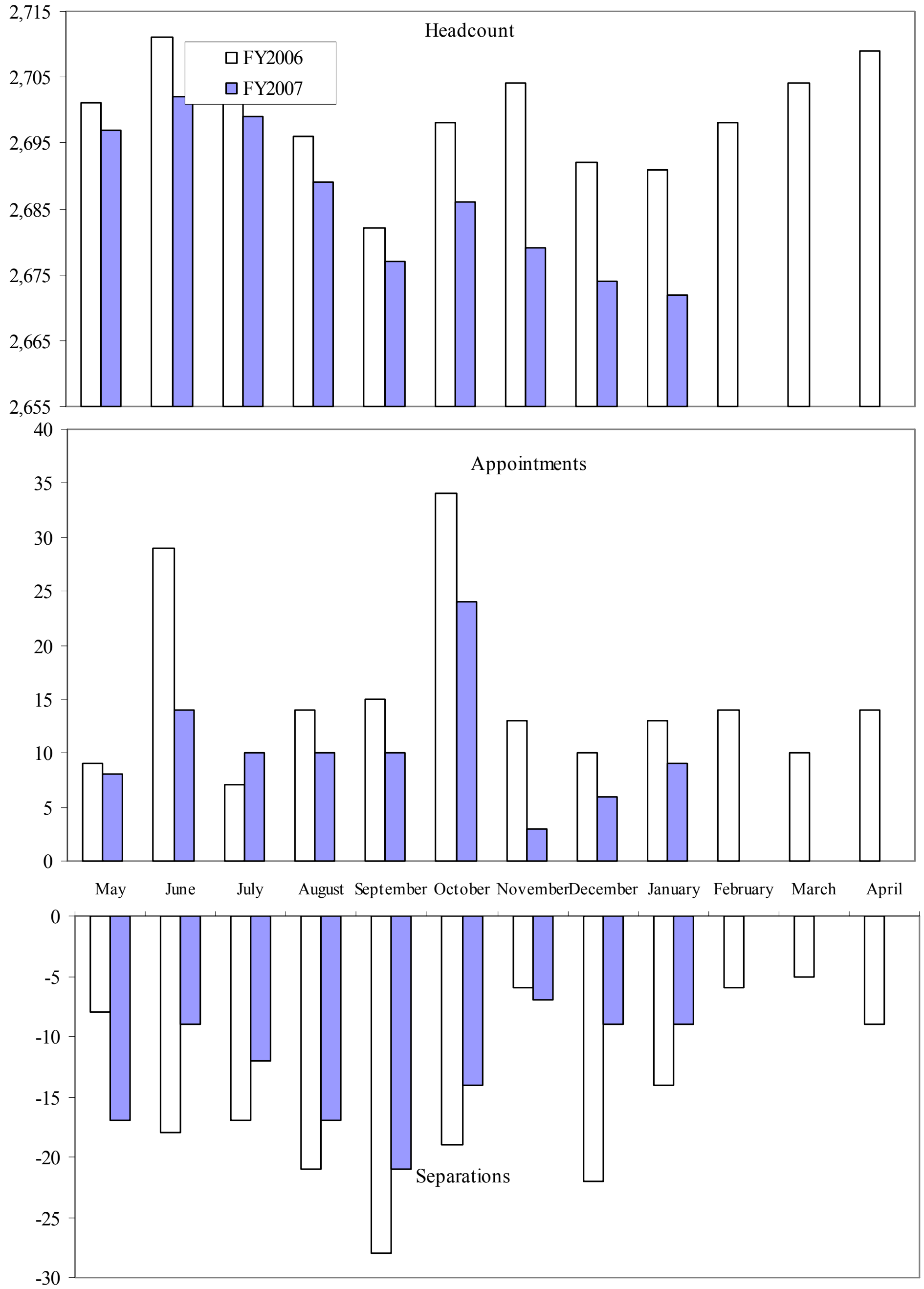
Figure 2. Staff Vacancy Rate, FTE Utilization and Average Salary, FY2006–FY2007 1/



Source: PeopleSoft Financials.

1/ Includes Group I staff, excluding OED and IEO.

Figure 3. Headcount, Appointments, and Separations, FY2006–FY2007 1/
(In number of staff)



Source: PeopleSoft HRMS.

1/ Includes open-ended and fixed-term staff, but excludes OED and IEO staff.

B. Staff Benefits

14. While expenditures on staff benefits are $8.8 million, or 4.6 percent ahead of last year at the three quarters mark, OBP projects a small budget underspend of about $5 million for the year as a whole. (This projected underspend is before making provision for the proposed additional contribution to the SRP Service Credit Program this financial year.)

15. In more detail:

- Contributions to date from the Fund's administrative budget to the SRP continue to lag behind the same point last year. A relatively larger proportion of SRP funding to date has been drawn from the SRP reserve this year compared with the same period in FY2006. In the last quarter, there will be a greater drawdown from the administrative budget leading to a final outturn for FY2007, that will remain within budget estimates.

- With tax allowance expenditures some $2.4 million higher than last year at this time, the outturn is projected to exceed the budget estimate by about 1 percent. The increased expenditures are due to higher-than-expected average salaries, and the impact of the U.S. alternative minimum tax provision and other tax code changes which have increased the Fund's tax liabilities for U.S. staff.

- Budgetary contributions to the MBP are about $3.2 million higher than last year at this time, due primarily to the 10 percent rate increases that were made effective in October 2005 and May 2006, respectively. The increased contributions have boosted the medical reserve by almost $2.4 million since the beginning of the year, as contributions have exceeded medical expenditures. Total budgetary contributions for FY2007 are projected to come within budget.

- Home leave payments to staff declined significantly in January after being consistent with last year through the first 8 months of the year. The number of payments to staff is now down almost 5 percent compared with the first nine months in FY2006, while unit costs have risen by about 4.6 percent, in line with the assumptions adopted in setting the budget. OBP staff project home leave expenditures will be within the FY2007 budget estimate.

- Expenditures on the children's education allowances continue to run ahead of last year at the nine month mark by more than 4 percent. The increase in expenditures is the result of both higher tuition costs and a rise in the number of participating students, and are despite the fall in education travel costs (a result of policy changes enacted under the ECBR). Expenditures on children's education allowances are projected for the year as a whole to be within budget.

- Expenditures on the other staff benefits collectively are running ahead of last year at the three quarters mark but are nonetheless projected to come within budget for the year as a whole.[5]

C. Travel

16. Expenditures on business travel (excluding Annual Meetings travel) over the first three quarters of the year were $6 million below the counterpart FY2006 levels (Table 4), mainly because prices have remained relatively flat, while the number of person days on mission has fallen—a reflection of both shorter and smaller staff missions. An additional contributory factor was the much lower use of charters.

17. In more detail:

- Price trends continue to be more favorable than expected when the budget was drawn up, and have not changed significantly since October. Through January, the rise in prices stayed comfortably below the 3.5 percent deflator. Substantially lower than expected hotel and per diem costs have offset airfare increases, which were slightly above budgeted levels. Prices to and in Asian, Central Asian, and Middle Eastern destinations remain higher than anticipated, however prices to and in Western Hemisphere countries have risen less than expected (Figure 4).

- Geographical travel patterns (in terms of the distribution among the five area department regions) are within historical norms, with minor shifts across the regions to date relative to the counterpart figures for FY2006. Specifically, nights in the Middle East and Central Asian region have rebounded to levels that pre-date the war in Lebanon of early summer 2006 (Figure 4).

- Since October, FY2007 mission volumes have been lagging behind FY2006 volumes (Table 5). While the total number of missions at the nine month point now matches almost exactly FY2006 levels, the measures of mission persons and mission person nights are respectively 6.7 percent and 5 percent lower compared with the same period last year. This pattern of shorter and smaller missions, which was observed in the first half of the year, has continued into the third quarter.

- With no further charter flights planned for the remainder of the financial year, this account appears to be headed for a significant underrun (Table 6).

[5] They include the spouse and child allowance, settlement allowances, life insurance, the overseas allowances, separation allowances, and the training and study allowances.

- However, the additional expenditures on travel to the Annual Meetings was some $400,000 over the budgeted figure—a reflection wholly of higher than expected airfares and hotel costs, rather than higher travel volumes.

- In sum, staff project the travel outturn, excluding Annual Meetings related expenditures, will be $91.6 million or around 5 percent below budget, and some $2.6 million below the FY2006 outturn figure.

D. Building and Other Expenses

18. The rate of budget utilization in the Building and Other Expenses category is nearly 2.5 percent lower through the first nine months of FY2007, relative to the same period in FY2006. This is mainly the result of some unutilized central reserves; to a lesser degree, it is also a reflection of unexpectedly lower building-related costs.

19. In more detail**:**

- A portion of the MTS initiatives budget was held centrally by OBP, within an Other Expenses line item, as a special reserve in FY2007. While some of this reserve has been distributed to departments over the course of the year, the remainder has not been used to date (as explained above) and is not now likely to be released in FY2007.

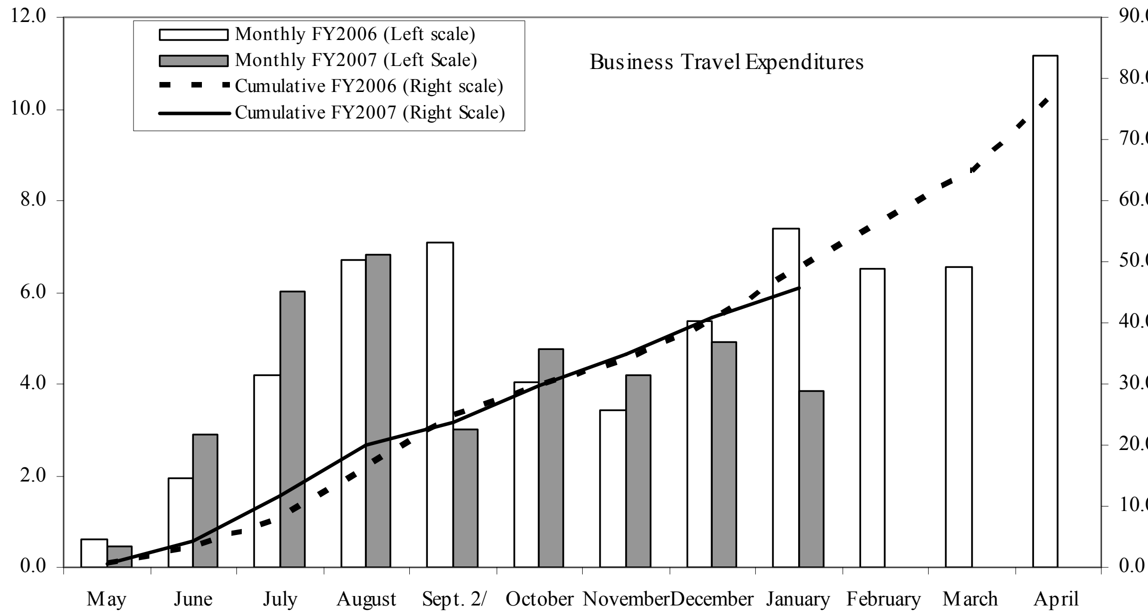
- Building Occupancy costs are lagging behind the FY2006 pattern, as a result of fewer repairs than expected to the HQ-based buildings, and lower utilities prices relative to those assumed when the budget was prepared.

- There have been fewer-than-envisaged one-off studies, resulting in lower charges for consultancy services.

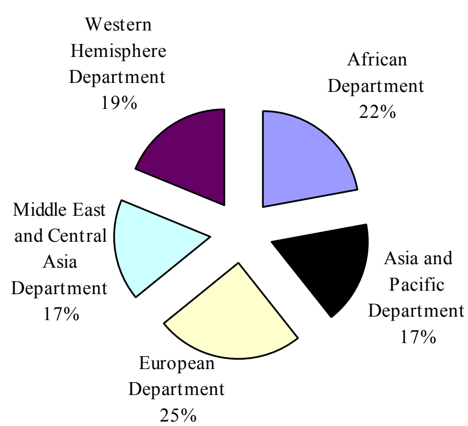
- On this basis, staff project an outturn in this category of $165.3 million, an underrun of some $9.5 million against the FY2007 budget estimate.

Figure 4. Business Travel Indicators, FY2006–FY2007 1/

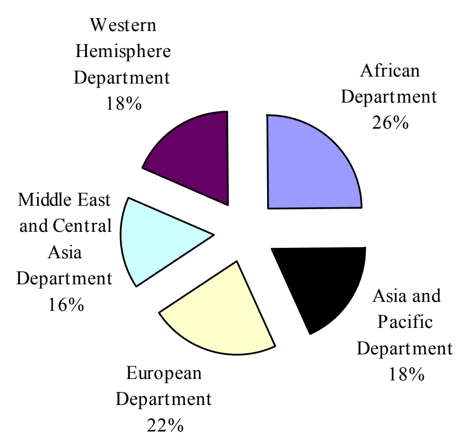
(In millions of U.S. dollars (left scale) and as a percentage of approved travel budget (right scale))



Number of Mission Nights by Region, FY2006 May - January 1/



Number of Mission Nights by Region, FY2007 May- January 1/



Sources: PeopleSoft Financials; and PeopleSoft HR.

1/ Data reflects the month in which travel expenditures are recorded in the Fund's financial records, not the month travel occurs. Does not include charter flights, Meeting of Governors travel, or end-of-year accruals.

2/ Staff attendance at the Annual Meetings may have had a small delaying effect on the financial recording of travel expenditures.

Table 5. Travel Volumes, May-January, FY2006–FY2007 1/

	FY2006	FY2007	Change (in percent)
Travel volumes			
Missions	4,245	4,254	0.2
Mission-Persons	6,820	6,364	-6.7
Mission Nights	51,724	49,131	-5.0
Average Mission Size (in number of staff)	1.6	1.5	-6.9
Average Mission Length (in days)	12.2	11.5	-5.2

Source: PeopleSoft Financials.

1/ Data reflect volumes for travel with start dates between May 1, 2006 and January 31, 2007. Expenditures for travel during this period may not yet be fully recorded in the system. Does not include travel associated with attendance at the Annual Meetings.

Table 6. Travel Expenditures, May-January FY2006–FY2007 1/
(In millions of U.S. dollars)

	FY2006	FY2007	Change (in percent)
Expenditures	57.4	51.4	-10.4
Business travel	48.8	42.6	-12.7
Transportation	25.8	20.6	-19.9
Per diem	15.9	15.7	-1.6
Other business travel 2/	7.1	6.3	-11.7
of which:			
Charters	0.8	0.1	-86.4
Other travel	8.6	8.8	3.2

Source: PeopleSoft Financials.

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

1/ Does not include staff travel expenditures associated with the Annual Meetings.
2/ This category includes INS participants' travel and resident representative in-country travel, which were previously classified as other travel.

E. Receipts

20. Receipts were higher by $6.1 million in the first nine months of FY2007 than in the corresponding period in FY2006. However, for the year as a whole, receipts are estimated at $66.9 million—some $1.4 million below the FY2007 budget.

21. In more detail**:**

- Based on a project-by-project analysis, the drawdown of donor funds for implementation of TA projects is now estimated at $38.3 million, or $1.9 million lower than the FY2007 budget figure. This reflects delays in the implementation of some capacity building activities, as well as continued delays in projects for Iraq because of the security situation.

- Travel commissions and rebates to date are on track to match the FY2006 levels ($4.4 million in FY2007, compared to $4.3 million in FY2006). The outturn for the year is estimated to be the same as the FY2006 outturn at $6.0 million, some $0.9 million above budget. Despite concerns that airlines would cut back on rebates during FY2007 (as allowed for in the budget estimate), it has proved possible to retain most of the existing favorable arrangements.

- Collectively, other receipts are projected to be around $0.5 million below the budget estimates for the year as a whole.