

EB/CB/07/3

July 23, 2007

To: Members of the Committee on the Budget
(Managing Director, Chairman; Mr. Fried, Mr. Ge, Ms. Lundsager
Mr. Mozhin, Mr. Murray, Mr. Rutayisire, Mr. Saarenheimo, Mr. Sadun,
Mr. Shaalan, Mr. Silva-Ruete, Mr. Stein)

From: Bernd Esdar, Committee Secretary

Subject: **FY 2007 Administrative and Capital Expenditures**

The attached paper on the FY 2007 administrative and capital expenditures provides background for the Committee on the Budget meeting scheduled for **Thursday, August 2, 2007**.

Questions may be referred to Mr. Cangiano (ext. 37330) and Ms. Diaz-Zurro (ext. 39750) in OBP.

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INTERNATIONAL MONETARY FUND

FY2007 Administrative and Capital Expenditures

Prepared by the Office of Budget and Planning

Approved by Barry H. Potter

July 23, 2007

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GLOSSARY

AFRITAC	African Technical Assistance Center
CGER	Consultative Group on Exchange Rates
ECBR	Employment Compensation and Benefits Review
FASS	Financial and Administrative Systems Subcommittee
FSAP	Financial Sector Assessment Program
FTE	Full-Time Equivalent (person years of employment)
FTS	Full-Time Staff (open-ended and limited-term staff)
GDDS	General Data Dissemination Standard
IPT	Internet Protocol Telephony
IT	Information Technology
KOA	Key Output Area
MBP	Medical Benefits Plan
MTS	Medium-Term Strategy
REO	Regional Economic Outlook
ROSC	Report on the Observance of Standards and Codes
RSBIA	Retired Staff Benefits Investment Account
SBF	Separations Benefit Fund
SDDS	Special Data Dissemination Standard
SRI	Staff Restructuring Initiative
SRP	Staff Retirement Plan
TA	Technical Assistance
TAIMS	Technical Assistance Information Management System

I. INTRODUCTION AND OVERVIEW

1. **This paper reviews the outturn of the FY2007 administrative and capital budgets.** Section I provides a brief overview and description of the main reasons for the gap between outturn and budget on administrative expenditures. Section II summarizes the delivery of the Fund's main outputs to member countries and the global community in FY2007, both in terms of the administrative resources devoted to the four Key Output Areas (KOAs) and the 12 constituent outputs, and available physical measures of activity. Section III provides a breakdown of gross administrative expenditures by inputs and Section IV by source of finance, focusing on receipts. Finally, Section V reviews the outturn on FY2007 capital expenditures.
2. **Net administrative expenditures in FY2007 were \$897.2 million—\$14.7 million (or 1.6 percent) below the budget Figure of \$911.9 million (Table 1).** Gross administrative expenditures were \$965.8 million—some \$14.4 million below the \$980.2 million central estimate of gross expenditures, on which the FY2007 net budget was predicated.
3. **Net administrative expenditures in FY2007 were 2.6 percent higher than in FY2006, while gross expenditures were 3.8 percent higher than last year: these are the lowest annual rates of increase in the Fund's administrative expenditures recorded in the last ten years.** This outturn continues the underlying downward trend in the rate of growth in administrative expenditures that began in FY2001 (Table 2).
4. **While the gap between the net budget and the outturn was a little higher than projected at the nine-month mark (Appendix I),** it remained low in percentage terms relative to the average recorded in the previous decade.
5. **A shift in resource utilization over the course of FY2007 to reflect the priorities established under the Medium Term Strategy (MTS) can be seen—both in terms of the administrative resources devoted to the delivery of the Fund's KOAs and constituent outputs and the available physical indicators of activity.** Relative to FY2006, a higher share of administrative resources was applied to work on global monitoring, and country specific and regional monitoring activities. Offsetting this relative shift, and as anticipated in departmental business plans, there was a decrease in the share of resources devoted to country program and financial support. The administrative resources devoted to capacity building work were around one percentage point lower than in FY2006.
6. **In FY2007 expenditures on capital projects totaled \$45.5 million compared to the \$54.9 million spent last year.** This lower level of spending reflected both a reduction in total funds available through appropriations, and delays in the start of some projects (Section V). All projects completed in FY2007 and financed with funds appropriated in previous years came in at or under budget and on time.

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

	FY2006	FY2007			
	(A)	(B)	(C)	(D)	(E)
	Outturn	Budget	Outturn	Difference in in Amount (D) = (C)-(B)	Difference in Percent (E) = (D)/(B)
I. Personnel	666.6	700.2	707.5	7.3	1.0
Salary	392.6	407.5	404.1	-3.4	-0.8
Benefits and other personnel expenditures	273.9	292.7	303.4	10.7	3.7
II. Travel	94.2	97.0	93.2	-3.8	-3.9
III. Building and other expenditures	169.6	174.9	159.7	-15.2	-8.7
IV. Contingency/Planning Reserve	n.a.	3.0	n.a.	...	...
V. Annual Meetings	0.0	5.0	5.4	0.4	8.0
Gross Expenditures	930.3	980.2	965.8	-14.4	-1.5
Receipts	-56.0	-68.3	-68.5	-0.2	0.3
Net Administrative Budget	874.4	911.9	897.2	-14.7	-1.6

Source: Office of Budget and Planning.

Table 2. Administrative Expenditures, FY1999–FY2007
(In millions of U.S. dollars, except where indicated otherwise)

Financial Year	Budget	Outturn	Outturn to Budget Variance		Budget to Budget Increase		Outturn to Outturn Increase	
			Amount	Percent	Amount	Percent	Amount	Percent
A. Net Expenditures								
1999	519.6	520.6	1.0	0.2	15.9	3.2	25.3	5.1
2000	585.1	583.0	-2.1	-0.4	65.5	12.6	62.4	12.0
2001	650.9	638.0	-12.9	-2.0	65.8	11.2	55.0	9.4
2002	695.4	676.7	-18.7	-2.7	44.5	6.8	38.7	6.1
2003	746.4	719.7	-26.7	-3.6	51.0	7.3	43.0	6.4
2004	785.5	747.6	-37.9	-4.8	39.1	5.2	27.9	3.9
2005 1/	849.6	826.1	-23.5	-2.8	64.1	8.2	78.5	10.5
2005	801.6	778.1	-23.5	-2.9	16.1	2.0	30.5	4.1
2006	876.1	874.4	-1.7	-0.2	26.5	3.1	48.3	5.8
2007	911.9	897.2	-14.7	-1.6	35.8	4.1	22.9	2.6
B. Gross Expenditures								
1999	561.7	561.1	-0.6	-0.1	16.5	3.0	30.0	5.6
2000	626.4	624.3	-2.1	-0.3	64.7	11.5	63.2	11.3
2001	689.9	675.5	-14.4	-2.1	63.5	10.1	51.2	8.2
2002	736.9	721.3	-15.6	-2.1	47.0	6.8	45.8	6.8
2003	794.3	764.0	-30.3	-3.8	57.4	7.8	42.7	5.9
2004	837.5	806.1	-31.4	-3.7	43.2	5.4	42.1	5.5
2005 1/	905.1	892.2	-12.9	-1.4	67.6	8.1	86.1	10.7
2005	857.1	844.2	-12.9	-1.5	19.6	2.3	38.1	4.7
2006	937.0	930.3	-6.7	-0.7	31.9	3.5	38.1	4.3
2007	980.2	965.8	-14.4	-1.5	43.2	4.6	35.4	3.8

Source: Office of Budget and Planning.

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

1/ The figures for FY2005 include a step increase (+\$48 million) in the contribution to the Staff Retirement Plan (SRP), following the Executive Board decision to normalize contributions at 14 percent of gross remuneration.

II. ADMINISTRATIVE EXPENDITURES BY OUTPUT

7. **In FY2007 the pattern of the Fund’s main outputs, as measured by the shares of administrative resources devoted to the delivery of the various final outputs to member countries (individually or collectively), began to shift, reflecting the priorities identified under the MTS.** This picture is reinforced by the information available on changes in the physical indicators of activity as between FY2006 and FY2007. Table 3 presents a breakdown of gross administrative expenditures devoted to the delivery of the four KOAs and 12 constituent outputs for both FY2006 and FY2007, while Table 4 presents information on activity indicators for the two years.^{1, 2}

8. **Thus, the information available on outputs indicates that, as between FY2006 and FY2007:**

- **A higher share of administrative resources was devoted to global monitoring,** notably multilateral surveillance and reflecting, in particular, the new Multilateral Consultation exercise and the expansion of Consultative Group on Exchange Rates (CGER) work to a larger number of countries.
- **A higher share also went into country specific and regional monitoring.** Considerable additional resources were devoted to financial sector surveillance—a priority under the MTS. 65 MCM staff participated in Article IV missions as against 42 such assignments in FY2006. More resources were also allocated to regional surveillance, with the number of Regional Economic Outlooks (REOs) issued increasing from 7 in FY2006 to 9 in FY2007. In part, the additional activity in these areas was made possible by the redeployment of staff and travel resources from other activities within this KOA, especially Reports on the Observance of Standards and Codes (ROSCs) (15 completed in FY2007 vis-à-vis 24 in FY2006) and Financial Sector Assessment Programs (FSAPs) (12 completed and 7 initiated in FY2007 vis-à-vis 12 and 13 respectively in the previous year).³
- **The share of gross administrative expenditures devoted to country program and financial support decreased from 26.5 percent to 24.3 percent,** largely reflecting fewer active Fund-supported programs (46) than in FY2006 (53). Within this KOA, the share of resources devoted to generally available facilities dropped from

¹ “Report of the Second Task Force on Performance Indicators” (EB/CB/06/7, 11/1/2006).

² “FY2007 Administrative Budget—Projected Outturn” (EBAP/07/41, 3/22/2007).

³ Most of the FSAPs and FSAP updates postponed to FY2008 were delayed at the authorities’ request because of scheduling conflicts.

15.4 percent of total gross expenditures in FY2006 to 11.9 percent of total, while that for facilities specific to low-income countries (LICs) increased from 11.1 percent of total in FY2006 to 12.3 percent of total in FY2007.

- **The share of resources devoted to capacity building was a little lower in FY2007 than in FY2006, although the picture was mixed with resources going into TA held broadly constant, while those devoted to external training were reduced.** However, the physical indicators suggest, at the very least, a broad maintenance of activity in FY2007, with the number of person days of TA rising between the two years (325 in FY2007 versus 314 in FY2006), the number of completed TA reports increasing (i.e. 312 in FY2007 versus 286 in FY2006), and the number of courses, seminars, and workshops conducted also expanding (316 in FY2007 versus 296 in FY2006). The introduction of more detailed and sophisticated performance measures as from FY2008 should make it easier to clarify the apparent difference in the overall picture emerging from the resource input side (a small contraction) and the physical indicators (a small expansion).⁴

⁴ While higher productivity may have contributed, some of the explanation lies in a reclassification of costs, which reduced the expenditures allocated to external training in FY2007 relative to FY2006. Moreover, there may also be differences in the content and coverage of TA reports and training courses as between the two years.

Table 3. Gross Administrative Expenditures by Key Output Area and Constituent Output, FY2006–FY2007

	FY2006 Outturn	FY2007 Budget		FY2007 Outturn
		Old Basis 1/	New Basis 2/	
(In percent share of total gross expenditures)				
Global Monitoring	13.8	14.1	13.6	14.0
Oversight of the international monetary system	4.1	...	...	4.0
Multilateral surveillance	3.2	...	...	4.0
Cross-country statistical information and methodologies	3.5	...	...	3.2
General research	0.0	...	...	0.1
General outreach	3.0	...	...	2.7
Country specific and regional monitoring	34.2	33.9	34.8	37.5
Bilateral surveillance	27.0	...	...	31.0
Regional surveillance	2.2	...	...	2.6
Standards and codes and financial sector assessments	5.0	...	...	3.9
Country programs and financial support	26.5	27.2	28.2	24.3
Generally available facilities	15.4	...	...	11.9
Facilities specific to low-income countries	11.1	...	...	12.3
Capacity Building	25.5	24.8	23.4	24.3
Technical assistance	20.9	...	...	20.3
External training	4.6	...	...	4.0
Total gross expenditures	100.0	100.0	100.0	100.0
(In millions of U.S. dollars)				
Global Monitoring	128.6	137.8	132.6	135.1
Oversight of the international monetary system	38.4	...	...	38.7
Multilateral surveillance	29.8	...	...	38.4
Cross-country statistical information and methodologies	32.6	...	...	30.9
General research	0.0	...	...	1.3
General outreach	27.8	...	...	25.8
Country specific and regional monitoring	317.9	331.3	340.0	361.7
Bilateral surveillance	251.3	...	...	299.3
Regional surveillance	20.4	...	...	25.3
Standards and codes and financial sector assessments	46.1	...	...	37.2
Country programs and financial support	246.2	265.8	275.8	234.2
Generally available facilities	143.2	...	...	115.2
Facilities specific to low-income countries	103.0	...	...	119.0
Capacity Building	237.6	242.3	228.8	234.7
Technical assistance	194.6	...	...	196.4
External training	43.1	...	...	38.4
Contingency reserve		3.0	3.0	
Total gross expenditures	930.3	980.2	980.2	965.8

Source: Office of Budget and Planning.

1/ Derived from departmental business plans. Includes \$5 million for the additional expenditures of holding the Annual Meetings overseas. Reflects the new revised classification of the Fund's outputs adopted in November 2006, whereby research was attributed to the output to which it pertained, leaving "general research" as a residual.

2/ In addition to footnote 1, reflects improvements in the methodology for allocating governance expenditures to outputs, and further changes described in Box 2 of "The FY2008–FY2010 Medium-Term Budget--Departmental Business Plans" (EBAP/07/59, 4/19/07).

Table 4. Activity Indicators, FY2006–FY2007

	FY2006 Outturn	FY2007		
		Planned	Outturn	Percent Completed Relative to Plan
1. Global Monitoring				
Board policy papers 1/	26	22	30	136.4
Methodology manuals and compilation guides under implementation	24	22	20	90.9
2. Country Specific and Regional Monitoring				
Surveillance status (countries) 2/	114	117	127	n.a
Intensive (end of period)	36	39	48	n.a
Standard (end of period)	78	78	79	n.a
Board meetings 3/	148	164	162	98.8
Of which: Article IV consultation discussions	131	...	133	...
Regional Surveillance	13	...	7	...
Regional Outlooks issued	7	...	9	...
Board policy papers 1/	274	156	162	103.8
ROSCs completed	24	22	15	68.2
FSAPs initiated	13	10	7	70.0
FSAPs completed	12	13	12	92.3
GDDS participants (end of period)	89	94	94	100.0
SDDS participants (end of period)	62	65	64	98.5
3. Country Programs and Financial Support				
Program status (countries) 2/	78	76	64	n.a.
Financial facilities (end of period)	53	59	46	n.a.
Near program (end of period)	25	17	18	n.a.
Board meetings 3/	129	137	105	76.6
Board policy papers 1/	243	175	215	122.9
4. Capacity Building				
Total TA delivery (persons years) 4/	314	324	325	100.3
TA reports	286	280	312	111.4
Courses, seminars, and workshops conducted 5/	296	310	316	101.9

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 185 member countries plus the Euro Area and a number of territories and other entities.

3/ Includes informal Board meetings.

4/ Includes direct TA delivery from headquarters as well as in the field; excludes external training delivered by INS, and some very small scale delivery from other departments.

5/ Courses, seminars and workshops are external training for which the Fund is the main organizer.

III. ADMINISTRATIVE EXPENDITURES BY INPUT

9. **In terms of the input categories of expenditure, and comparing FY2007 outturn against the budget figures, the main points are below (further details are provided in Appendix II).**

- **Personnel expenditures were some 1 percent above budget**—a difference that is more than accounted for by the decision to prepay an amount into the Staff Retirement Plan on behalf of staff who were formerly employed on a contractual basis.
- **Within the personnel category salary expenditures came in below budget**, but close to the projections provided to the Executive Board at the six and nine months mark. There was a higher than budgeted vacancy rate (6.2 percent versus the 5.3 percent when the budget was prepared), partly reflecting efforts by departments to manage more actively vacancies in the expectation of further budgetary tightening in the future. The smaller than anticipated number of staff was partly offset by an average staff salary that was also higher than expected (in itself a reflection of relatively low staff turnover and recruitment).
- **Benefits expenditures were higher than the budgeted amount, but the difference was more than accounted for by the special payment to the Staff Retirement Program**, mentioned above and explained in Appendix II.
- **Travel expenditures came in about \$3.8 million below budget,⁵ mainly as a consequence of lower than expected seminar-related travel and a significant reduction in the use of charters.**
- **Administrative expenditures on the building and other expenditures category were some \$15 million below budget.** This was partially because the centrally-held reserves were not fully utilized, pending finalization of a number of MTS-related initiatives. In addition, security expenditures were lower than anticipated but the largest gap arose on contractual services; there was both less use of external contractors than expected and lower than expected spending on contracts that were signed— in some cases emoluments and honoraria were declined.

⁵ This number excludes expenditures related to the Annual Meetings. See Appendix II for further details.

IV. FINANCING AND RECEIPTS

10. **Gross administrative expenditures are financed both from receipts and from the Fund's net operational income⁶—the amount to be met from net income being equivalent to the net administrative expenditures in any year.** With gross administrative expenditures of \$965.8 million and receipts of \$68.5 million, net administrative expenditures were \$897.2 million.⁷

11. **In FY2007, receipts came in very close to budget at \$68.5 million—\$0.2 million (0.3 percent) higher than estimated in the budget (Table 5).** The main sources of receipts are contributions from external donors for capacity building work (technical assistance and external training services provided by the Fund to member countries), net inflows from cost-sharing agreements with the World Bank, travel-related rebates from hotels and airlines, and revenues from the sale of publications.

- **The drawdown of donor contributions for capacity building services (including scholarships) was \$1.2 million lower than the FY2007 budget estimate:** the main contributory factors were delays in some large TA projects;⁸ a slower than anticipated pace of activity in the recently opened third AFRITAC; and a delay in finalizing a large donor agreement with one major contributor.
- **Revenues from the sale of Fund publications were \$0.6 million above budget:** this reflected both the beneficial impact of revised charging policies as part of the Fund's stepped up outreach efforts and a one-time royalty payment for IMF statistical databases.
- **Travel commissions and rebates came in at \$5.7 million, some \$0.6 million above budget.**
- **Miscellaneous receipts were \$0.6 million above budgeted levels.** The higher than expected receipts arose from various sources including the sale of vehicles and other items at resident representative posts, and unanticipated contributions towards the cost of a seminar for AFRITAC West and from the World Bank for the joint IMF-World Bank Quadrennial Benefits Survey.

⁶ In years when expenditures are not fully covered by net operational income (as in FY2007), some drawdown of reserves is required.

⁷ "The Fund's Income Position for FY2007—Actual Outcome" (forthcoming).

⁸ Specifically, there have been delays in implementing prerequisite legislation for establishing a tax tribunal in Mozambique.

Table 5. Receipts Outturn, FY2005–FY2007
(In millions of U.S. dollars)

	FY2005	FY2006		Budget Estimates	Outturn	FY2007 Variance	
	Outturn	Budget	Outturn			Amount	Percent
Externally Financed Technical Assistance	37.3	38.5	32.0	40.1	39.3	-0.8	-2.0
Direct Costs	32.9	34.2	28.2	35.6	34.8	-0.9	-2.4
Support Costs 1/	4.5	4.3	3.9	4.5	4.6	0.0	1.1
Scholarships (including administrative fees)	n.a.	n.a.	n.a.	5.1	4.8	-0.4	-6.8
Fund-sponsored sharing agreements 2/	7.7	6.9	6.4	6.6	6.3	-0.4	-5.7
Publications income	3.8	4.3	3.6	4.0	4.6	0.6	14.0
Concordia apartment	2.7	2.6	2.7	2.7	2.7	0.0	1.8
Travel commissions	5.4	6.0	6.0	5.1	5.7	0.6	11.9
Other miscellaneous reimbursements 3/	5.7	2.6	2.8	2.6	3.2	0.6	24.2
Parking	n.a.	n.a.	n.a.	2.1	2.0	-0.1	-2.5
Prior-year accrual adjustments 4/	3.5	n.a.	2.4	n.a.	0.0	n.a.	n.a.
Total	66.1	60.9	56.0	68.3	68.5	0.2	0.3

Source: Office of Budget and Planning.

Note: Figures may not add due to rounding.

1/ Includes the payments the Fund receives from donors towards support costs of providing externally financed technical assistance.

2/ 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.

3/ Includes reimbursement from overseas offices and revenue and funding from a number of agreements with donors. The FY2005 outturn includes a one-off \$3 million refund under the Medical Benefits Plan (MBP).

4/ In line with the accounting treatment agreed in FY2004 (see "FY2004 Administrative and Capital Budgets-Outturn (EB/CB/04/5, 7/27/2004), page 17).

V. CAPITAL EXPENDITURES

12. **The Executive Board approves capital budget appropriations for projects in three main categories: building facilities, information technology (IT), and major building works.** The reforms to capital budget procedures introduced in FY2003 specified a three-year period in which authorized capital budgets had to be spent; appropriations not expended within this timeframe lapse. Thus, actual capital expenditures in any year are incurred against appropriations approved in that financial year and in each of the previous two financial years.

13. **Total actual capital expenditures in FY2007 were \$45.5 million, a decrease of \$9.4 million compared to the \$54.9 million expended in FY2006 (Table 6).** The lower level of capital expenditures in FY2007 was driven mainly by two factors: (i) there were less total funds available in the capital program at the start of FY2007, relative to the start of FY2006 (\$103.4 million versus \$111.2 million, respectively), and (ii) there was a delay in the startup of some projects, as certain strategic decisions or prerequisite projects were still being finalized. Specifically, in FY2007, capital expenditures for building facilities, IT,

and HQ2 amounted to \$16.1 million, \$24.1 million, and \$5.3 million, respectively—compared with \$21.0 million, \$26.9 million, and \$7.0 million, respectively, in FY2006.

- **In building facilities**, over 75 percent of the FY2007 expenditures were incurred in three areas: (i) security enhancements (\$8.0 million) approved as part of the FY2006 budget appropriation; (ii) the ongoing replacement of the Fund’s 20-year old furniture (\$3.3 million); and (iii) office renovations required for recent departmental reorganizations (\$1.3 million).
- **On IT**, because substantial progress was made on the high availability program approved for FY2006, it was possible to terminate expensive agreements with other disaster-recovery sites. Upgrades to core financial (PeopleSoft) and information management (Hummingbird DM5) systems were completed during FY2007; and progress was made on developing data warehouses for country economic data as well as administrative financial data. Finally, computer servers that were deemed to be at or beyond the end of their useful life, based on industry standards, were replaced.
- **As indicated to the Executive Board in the HQ2 final report**,⁹ the HQ2 building was opened for occupancy ahead of schedule in May 2005, and project close-out activities now underway are nearly complete. The construction project is expected to be finalized within the approved budget of \$149.3 million; combined with the cost of the land (\$100.2 million), the total investment in the HQ2 building is \$249.5 million. This compares with the estimated \$423.0 million market value recently provided by the Fund’s insurance appraisal consultant.

14. **Appropriations and expenditures for the period FY2000—FY2007 for the three main categories in the capital plan are summarized in Table 6.** The key concept, *total funds available*, is defined as the addition of a new financial year’s appropriation to the unspent and non-lapsing funds from previous years.

⁹ “Headquarters 2 Building Project—Final Report” (EBAP/07/56, 4/18/2007).

Table 6. Capital Expenditures, FY2000–FY2007 1/
(In millions of U.S. dollars)

	Formula Key	Facilities	Information Technology	HQ2 2/	Total Capital Plan
FY2000-FY2002					
Appropriations	(1)	56.3	81.6	20.0	157.9
Expenditures	(2)	38.1	60.3	9.6	108.0
Remaining Funds 3/	(3) = (1)-(2)	18.2	21.3	10.3	49.8
FY2003 4/					
New Appropriations	(4)	43.2	42.5	129.3	215.0
Total Funds Available	(5) = (4)+(3)	61.4	63.8	139.6	264.8
Expenditures	(6)	14.0	24.8	13.5	52.3
Remaining Funds 3/	(7) = (5)-(6)	47.4	39.0	126.1	212.5
FY2004					
New Appropriations	(8)	13.2	26.4	0.0	39.6
Total Funds Available	(9) = (7)+(8)	60.6	65.4	126.1	252.1
Expenditures	(10)	16.4	22.2	52.5	91.1
Remaining Funds 3/	(11) = (9)-(10)	44.2	43.2	73.6	161.0
FY2005					
New Appropriations	(12)	8.1	23.7	0.0	31.8
Total Funds Available	(13) = (11)+(12)	52.3	66.9	73.6	192.8
Expenditures	(14)	30.6	34.2	61.2	126.0
Lapsed Funds 5/	(15)	2.7	5.3	...	8.0
Remaining Funds 3/	(16) = (13)-(14)-(15)	19.0	27.4	12.4	58.7
FY2006					
New Appropriations	(17)	28.5	24.0	0.0	52.5
Total Funds Available	(18) = (16)+(17)	47.5	51.4	12.4	111.2
Expenditures	(19)	21.0	26.9	7.0	54.9
Lapsed Funds 5/	(20)	0.6	0.4	...	1.0
Remaining Funds 3/	(21) = (18)-(19)-(20)	25.9	24.1	5.4	55.3
FY2007					
New Appropriations	(22)	19.8	28.3	0.0	48.1
Total Funds Available	(23) = (21)+(22)	45.7	52.4	5.4	103.4
Expenditures	(24)	16.1	24.1	5.3	45.5
Lapsed Funds 5/	(25)	0.3	1.3	...	1.6
Remaining Funds 3/	(26) = (23)-(24)-(25)	29.3	27.0	0.1	56.3

Sources: Office of Budget and Planning; and Technology and General Services Department.

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

1/ Under the revised budget procedures, which took effect in FY2003, new appropriations cover estimated total expenditures in the coming three years on projects commenced in that fiscal year.

Expenditures are on an accrual basis.

2/ Excludes Phase III of HQ1.

3/ The unspent amount of the budget appropriation in the period concerned. These funds can be used for authorized projects in the remaining period covered by the appropriation(s).

4/ Following the capital budget reforms of FY 2003, the unspent capital appropriations for FY2000 through FY2002 were combined and added to the appropriation for new capital projects in FY2003.

5/ Funds that were not spent within the three-year appropriation period; e.g., FY2003 funds lapsed at end-FY2005.

15. **Projects completed in FY2007 for which funds were appropriated in previous years came in at, or under, budget (Table 7).** Ongoing projects that received funds in FY2006 and/or FY2007 are on track. Controls—both system and procedural—are in place to ensure that no such project can go over budget. In addition to remaining within budget, these projects are evaluated throughout their useful lifespan to ensure that the projected benefits from capital investments, which formed the basis for project funding approval, are realized.

16. **Capital funds lapse when not spent within three years of appropriation, as previously noted.** Some \$1.4 million—which would have otherwise lapsed at the end of FY2007—was used to bring forward from FY2008 planned purchases of computer hardware, software, and consulting services. This decision allowed certain key projects, which provide the basis for other initiatives, to progress ahead of their original schedule; however, all are expected to be completed within their original budget allocation.¹⁰ As indicated in Table 6, this left some \$1.6 million (or about 5 percent) of the total FY2005 capital appropriation unspent, which are no longer available to the capital plan.

Table 7. Capital Projects Completed in FY2007
(In millions of U.S. dollars)

	Approved Budget	Total Expenditures	Variance	
			Amount	Percentage
Capital Program	32.4	30.8	-1.6	-4.9
Facilities	5.4	4.9	-0.5	-9.3
Conference Room Upgrades	3.0	2.7	-0.3	-10.0
Electronic Printing Upgrades / Replacements	2.4	2.2	-0.2	-8.3
Information Technology	27.0	25.9	-1.1	-4.1
Enterprise Information Program	3.3	2.9	-0.4	-12.1
Hummingbird DM5 Document Management System	1.8	1.5	-0.3	-16.7
Data Management for Excel (DMX)	1.5	1.4	-0.1	-6.7
Administrative and Financial Information Program	12.9	12.4	-0.5	-3.9
PeopleSoft Financials Upgrade / Enhancements	5.6	5.1	-0.5	-8.9
FASS Strategy / Architecture	3.9	3.9	0.0	0.0
TAIMS Implementation, Phases I, II, and III	3.4	3.4	0.0	0.0
Infrastructure and Connectivity Program	10.8	10.6	-0.2	-1.9
Software Resource Management	1.0	1.0	0.0	0.0
Microsoft Exchange / Office 2003 Upgrade	1.2	1.1	-0.1	-8.3
IPT and HQ2 Infrastructure Improvements	7.8	7.7	-0.1	-1.3
Service Management Framework	0.8	0.8	0.0	0.0

Sources: Office of Budget and Planning and Technology and General Services Department.

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

¹⁰ This decision did not free up resources for the FY2008–FY2010 Capital Plan since the plan was formulated using the expected FY2007 capital expenditures as the base.

APPENDIX I
A COMPARISON OF THE PROJECTED OUTTURN AT NINE MONTHS AND THE FINAL
OUTTURN FOR FY2007

17. **The FY2007 outturn was \$14.7 million (1.6 percent) below the net approved administrative budget.** The gap was \$10.4 million higher than projected at the nine-month mark: OBP has reviewed the reasons for the difference (of around 1 percent of net expenditures) between projection and outturn (Table 8).

18. **The final pattern of outputs changed only marginally vis-à-vis the projections at the nine-month mark.** In terms of inputs, the difference between outturn and projection largely arose from lower than anticipated expenditures in two input categories—staff benefits and building and other expenditures.

Table 8. Administrative Expenditures by Major Expenditure Category, FY2007
(In millions of U.S. dollars)

	(A)	(B)	(C)	(D)
	Budget	Est. Outturn Projected (9-Month) 1/	Outturn	Variance (D)=(C)-(B)
I. Personnel	700.2	712.1	707.5	-4.6
Salary	407.5	405.0	404.1	-0.9
Benefits and other personnel expenditures	292.7	307.1	303.4	-3.7
II. Travel	97.0	91.6	93.2	1.6
III. Building and other expenditures	174.9	165.3	159.7	-5.7
IV. Contingency/Planning Reserve	3.0	0.0	0.0	0.0
V. Annual Meetings	5.0	5.4	5.4	0.0
Gross Expenditures	980.2	974.5	965.8	-8.7
Receipts	-68.3	-66.9	-68.5	-1.6
Net Administrative Budget	911.9	907.6	897.2	-10.4

Source: Office of Budget and Planning.

1/ Includes additional contribution to the SRP Service Credit Program.

19. **The lower than projected expenditures on staff benefits accounted for about 40 percent of the gap on gross expenditures.** The main contributory factor was the payments made under the SBF and SRI. When staff sign an agreement to separate from the Fund under these instruments, they are entitled to some “search” time to find an alternative position in the Fund; until that period is completed, the cost of the agreement (the SBF/SRI payment) is not expensed. The number of cases that fell into this category in FY2007 was greater than in the past because of a proportionately larger number of separations were initiated later in the financial year.

20. **The other main reason for the gap was lower than projected expenditures in the buildings and other expenditures category.** Some part of this reflected lower security expenditures—some guard vacancies were left open in anticipation of the OIA review—and negotiation of more favorable utilities rates along with milder temperatures. But a major factor was lower than expected expenditures on contractual services: in part, there were fewer than expected contracts; but the gap also reflected lower expenses on contracts signed—with, for example, some individuals waiving enrollments or honoraria.

21. **Finally, receipts were \$1.6 million higher than projected because of higher than anticipated usage of external financing for capacity building activities—**this also had the effect of increasing the gap between the projected and actual outturn on the net budget.

APPENDIX II

ADMINISTRATIVE EXPENDITURES BY MAJOR EXPENDITURE CATEGORY

22. This appendix provides more detail on expenditures incurred by major expenditure (input) category and indicates, as relevant, why any gaps between budget and outturn arose.

23. **Personnel Expenditures were \$7.3 million, or 1 percent, higher than the overall estimate.** This reflected (i) a higher than budgeted staff vacancy rate, partly offset by (ii) a higher than budgeted average staff salary. On the staff benefits side, however, the outturn was \$10.7 million higher than budgeted, more than accounted for by the special \$19 million contribution to the SRP described below (Table 9).

Table 9. Gross Administrative Budget and Expenditures: Personnel Costs, FY2005–FY2007
(In millions of U.S. dollars)

	FY2005 Outturn	FY2006 Outturn	FY2007			
			Budget	Outturn	Variance	
					Amount	Percent
Total	634.7	666.6	700.2	707.5	7.3	1.0
Salaries	375.2	392.6	407.5	404.1	-3.4	-0.8
Benefits and Other Personnel Expenses	259.5	273.9	292.7	303.4	10.7	3.7
Tax allowances	34.3	34.7	37.4	38.4	1.0	2.7
Health benefits	26.7	30.1	35.7	33.4	-2.3	-6.4
Retirement contributions	81.5	92.0	85.2	102.7	17.5	20.6
<i>Of which:</i> SRP service credit 1/	8.0	10.0	...	19.0	...	...
Long-term benefits (RSBIA)	35.3	37.2	39.0	39.0	0.0	0.0
Home leave	23.0	22.7	24.8	23.1	-1.7	-6.8
Children's education allowances	14.4	15.4	17.4	16.0	-1.4	-7.8
Spouse and child allowances	7.8	7.7	7.9	7.7	-0.2	-2.0
Settlement allowances	4.2	4.3	4.6	4.2	-0.5	-10.2
Overseas allowances	14.1	14.7	15.1	15.5	0.4	2.6
Separation incentives	7.0	4.3	9.8	8.6	-1.2	-12.0
Training and study allowances	6.2	5.9	9.3	8.4	-0.9	-9.9
IMF Institute allowances	1.8	1.8	2.7	2.7	0.0	0.6
Social and welfare	1.3	1.3	1.4	1.2	-0.2	-15.0
Life insurance and death benefits	0.9	1.0	1.1	1.1	0.0	1.9
Other benefits	1.2	1.0	1.3	1.3	0.0	-1.9

Source: Office of Budget and Planning.

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

1/ A \$19 million lump-sum payment was made toward the cost of the Staff Retirement Plan (SRP) service credit program in FY2007 to reduce future payments. Similar payments of \$8 million each were made in the prior two fiscal years. In addition, in FY2006, a refinement of the estimated pension contribution liability for staff members leaving under the Separation Benefit Fund (SBF) added \$2 million to the SRP outturn.

24. **Salary expenditures were \$404.1 million, or \$3.4 million (0.8 percent) below budget,** an outturn close to the projection reported at the nine-month mark (\$405 million). The following factors contributed to this outcome:

- **The cumulative Fund-wide staff vacancy rate reached 6.2 percent at the end of the financial year. This is significantly higher than the budgeted rate of 5.3 percent that departments had allowed for in their aggregated departmental business plans** (Figure 1).¹¹ In FTE terms, this amounted to a reduction from the 2,652.4 FTEs, as budgeted for by departments, to an outturn of 2,627.3 FTEs for the year as a whole (Table 10). Among the contributory factors were “in-year” decisions, taken after the budget was formulated: a small reduction in the size of the economist program; the modalities of the merger of ICM and MFD to form the Monetary and Capital Markets Department (MCM); and some additional streamlining initiatives, for example in STA. In general, however, it was also the result of departmental efforts to manage their staffing levels with a view to delivering the MTS within a budgetary climate that tightens further over the medium-term.¹²
- **The resulting downward impact of this higher than budgeted vacancy rate on the salary bill was partially offset by a higher than budgeted average staff salary. The average salary in FY2007 was 3.4 percent above the FY2006 figure and thus above the budgeted rate of increase of 2.1 percent.**¹³ Hence, the recovery rate—that is the decline in the average salary paid typically observed over the course of the year as staff leave or retire (higher-salaried) and are replaced with new hires or staff promoted internally (at lower salaries)—was minimal, at only 0.2 percent (the figure in previous years was around 1 percent). A key contributing factor to the small recovery rate was a very low staff turnover, i.e., both in terms of inflows and outflows, especially in the first nine months of the year, with separations outpacing appointments in most months (Figure 1).¹⁴ In addition, a greater than usual percentage of separations took place at more junior levels rather than higher paid staff as retirements. Although separations of more senior staff under the Separations Benefit Fund (SBF) and the Staff Restructuring Initiative (SRI) started to pick up in the last quarter of the financial year, it only had a very small effect on the recovery rate for FY2007 as a whole.

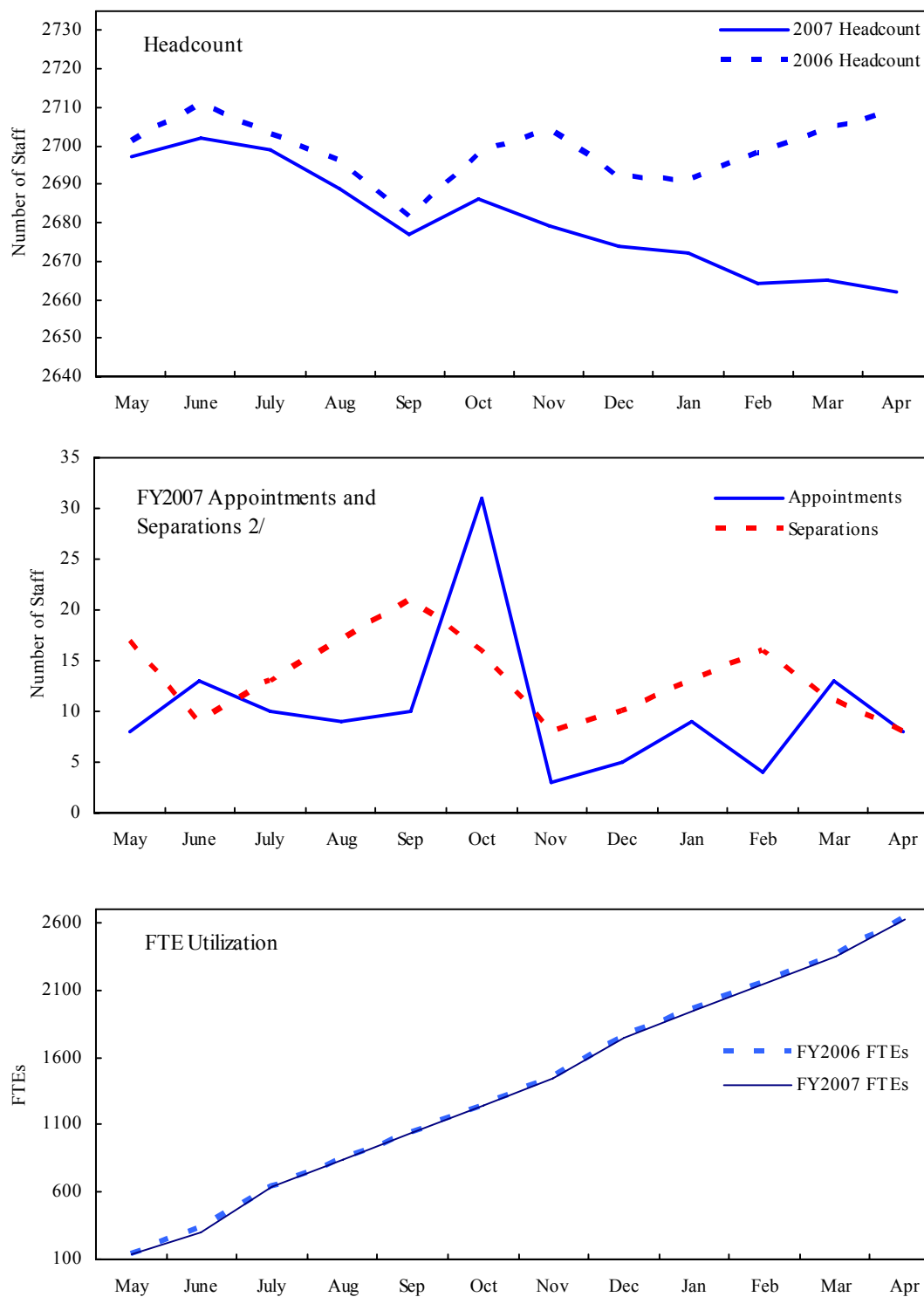
¹¹ As part of the FY2007 budget formulation, departments were for the first time allowed to exercise full fungibility in allocating their overall dollar resources by input in the way that they considered would best deliver their business plan.

¹² Vacancy rates vary considerably amongst departments, with area departments generally recording lower rates than functional departments, for example, a low of 1.7 percent in APD compared to 8.1 percent in FIN.

¹³ The merit pay envelope for FY2007 had been set at 3.6 percent and a 1.5 percent recovery rate was assumed in the budget, implying that the average salary for FY2007 as a whole, should rise by around 2.1 percent.

¹⁴ Total staff headcount declined by almost 40 staff members, to 2,666 on April 30, 2007.

Figure 1. FY2006–FY2007 Headcount, Appointments, Separations and FTEs 1/
Group I



Source: FY2006 Monthly Reports.

1/ Excludes IEO, OED and SBF.

2/ Separations include those moving into SBF.

- **Total salaries paid in other employment categories, such as for technical assistance (TA) experts, other contractuels, and overtime payments, were also below budget.** An overall reduction in the delivery of Fund-financed projects resulted in lower than budgeted salary compensation for TA experts, with salary expenditures for externally financed TA experts higher than expected. Salaries for locally paid employees in resident representative offices also came in below budget.
- **In sum, total employment at the Fund declined from 3,101 FTEs in FY2006 to 3,075.5 FTEs in FY2007, or by a total of 25.5 FTEs,** with 13.2 FTEs of the reduction being in Fund staff, and some 12 FTEs in employees under other contractual arrangements (Table 10).

Table 10. Total Employment, FY2006–FY2007 1/

	FY2006	FY2007			
	Outturn FTEs	Budget FTEs	Outturn FTEs	Variance 2/ Amount Percent	
Group I: open-ended and fixed- and limited-term staff	2,640.5	2,685.8	2,627.3	-58.5	-2.2
B1-B5 (REG1)	363.2	362.3	356.2	-6.1	-1.7
A9-A15 (REG2)	1,591.0	1,622.9	1,604.7	-18.2	-1.1
A1-A8 (REG3)	686.2	700.6	666.4	-34.2	-4.9
Vacancy rate 3/	5.8	5.3	6.2	...	...
Group II: Experts 4/	205.6	...	197.2	...	...
Group III: Contractuals and Others 5/	254.9	...	251.0	...	...
Total	3,101.0	...	3,075.5	...	...
Memorandum items:					
OED and IEO	260.6	...	261.4	...	...
Group I staff, OED, and IEO	2,901.1	...	2,888.7	...	...

Source: Office of Budget and Planning.

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

1/ Data exclude OED and IEO.

2/ The variance is calculated as the difference between outturn and budgeted FTEs.

3/ Departmental vacancy rate, including HR programs.

4/ Includes headquarters-based, long-term, and short-term experts.

5/ Includes visiting scholars, professional and support contractuals, agency temps, and paid overtime.

25. **Expenditures on benefits and other personnel allowances were \$303.4 million, which was \$10.7 million (3.7 percent) higher than the budget estimate.** However, the outturn includes a special \$19 million lump-sum payment toward the cost of the SRP Service Credit program.¹⁵ Excluding this payment, expenditures on staff benefits and other personnel allowances were within budget.

- **The additional \$19 million contribution to the SRP reflected a decision to accelerate the payment of the remaining Fund obligation under the SRP service credit program¹⁶ (Box 1).** At the end of FY2005, also in light of a prospective budget under run on administrative expenditures, the Pension Committee agreed to make an \$8 million lump sum payment to reduce the outstanding liability.¹⁷ Similarly, the Pension Committee agreed to an additional \$8 million lump sum payment at the end of last financial year. In FY2007, with this additional \$19 million contribution, the remaining service credit balance to be paid in FY2008 was \$2.1 million. That payment was made at the beginning of FY2008, thus discharging the extant liability in full.

¹⁵ “The Fund’s Contribution to the Staff Retirement Plan in FY2008” (RP/CP/07/4, 3/28/2007).

¹⁶ “Staff Retirement Plan—Purchase of Service Credits for Periods of Contractual and Other Employment; and Amendments to the Supplemental Retirement Benefits Plan” (EBAP/02/146, Revision 1, 12/18/02).

¹⁷ “The Fund’s FY2006 Contribution to the Staff Retirement Plan” (EBAP/05/35, 3/29/05).

Box 1. The Staff Retirement Plan Service Credit Program

- The Staff Retirement Plan (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 and temporary service to purchase credit for that period of service under the SRP.
- The cost to the Fund of the program was actuarially estimated to be \$42.7 million as of April 30, 2007. The Fund had made payments (with interest) amounting to \$21.6 million as of April 30, 2007. This amount includes an amortization payment of \$1.5 million made early in FY2007. That left an outstanding Fund liability of \$21.1 million.
- The prior amortization schedule envisaged 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, with a budget under run projected for FY2007, two payments were proposed—\$19 million within FY2007 and the remaining \$2.1 million early in FY2008 (totaling \$21.1 million) to discharge the Fund's full extant liability. This payment schedule 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 approved the recommended \$19 million and \$2.1 million payment schedule. Both payments have now been made.

Service Credit Program Payments

Fund Liability through April 30, 2007	\$42.7 million	
Payments through March 31, 2007 (with interest through April 30, 2007)	\$21.6 million	
Remaining unpaid Fund liability	\$21.1 million	
	<u>Prior Schedule of Payments</u>	<u>Completed Schedule of Payments</u>
Planned payments: \$4 million per year for 7 years	\$27.9 million	
Payment April, 2007		\$19.0 million
Payment May, 2007		\$2.1 million
Total Cost	\$49.5 million	\$42.7 million
Savings		\$6.8 million

Source: Office of Budget and Planning.

26. **On other personnel benefits, higher than expected spending on tax allowances and overseas allowances was offset by lower than projected spending on other benefits.** (Most of the expenditure on these benefits is open-ended—that is, under the relevant policies as approved by the Executive Board, expenditures depend on take-up of entitlements and developments in unit costs, the latter largely determined by exogenous factors.)

- **Expenditures on tax allowances** cover the cost of paying federal, state, local and social security taxes for U.S. staff and certain other taxes for non-U.S. staff. Administrative expenditures in FY2007 on tax allowances were \$38.4 million, just under 3 percent higher than the budget estimate. The additional expenditures were primarily the result of a change in U.S. tax law that placed a ceiling on the deduction of foreign housing expenses from taxable income for staff posted in overseas offices and taxed their non-excluded income at higher marginal rates.¹⁸ The tax law change was passed after the Fund budget had been set.
- **The administrative expenditures on health benefits** arise mainly from the Fund's contribution to the cost of the staff Medical Benefits Plan (MBP). The FY2007 overall health benefits expenditures of \$33.4 million reflected the two 10 percent rate rises in MBP contributions approved by the Executive Board in October 2005 and June 2006, respectively.^{19, 20} Those increases were driven by the rapid rise in medical costs, and the need to rebuild the depleted MBP reserve balance.
- **Budgetary contributions to the SRP**, aside from the \$19 million SRP buy back contribution, were \$82.2 million. The outturn was \$1.4 million lower than budgeted, reflecting primarily the higher than anticipated staff vacancy rate, as well as lower than expected expenditures on separation benefits. In addition to the FY2007 administrative budget contribution, another \$35.1 million contribution was transferred from the SRP reserve to the main SRP. That transfer had no budgetary implications. Changes to the SRP actuarial assumptions and methods and favorable recent returns on pension investments will permit the pension reserve to be increased in FY2008 to

¹⁸ The tax law changes were included in the "Tax Increase Prevention and Reconciliation Act of 2005," amending Section 911 of the Internal Revenue Code. The changes were effective for the tax year beginning after December 31, 2005.

¹⁹ "Medical Benefits Plan—Increase in Contribution Rates" (EB/CAP/05/2, 9/21/05, Supplement 1, 9/30/05), "Medical Benefits Plan—Increase in Contribution Rates" (EBAP/05/123, 10/06/05) and "Medical Benefits Plan—Increase in Contribution Rates" (EBAP/06/69, 5/19/06).

²⁰ The ratio of employer to employee contributions to the MBP is three to one.

provide resources for smoothing budgetary contributions to the SRP in years when the return on assets is less buoyant.²¹

- **Home leave benefits** are provided to eligible staff assigned to duty stations outside their home countries. The main benefits are allowances for travel on annual leave spent in the home countries every two years. Home leave expenditures were \$23.1 million, or about \$1.7 million under budget. The expenditures reflected an average unit cost increase of 3.4 percent, while the number of payments made compared with last year declined by 1.8 percent.
- **Education allowances** are provided to eligible staff members to assist in meeting the cost of educating their children in their home or a third country. Expenditures were \$16 million, \$1.4 million below budget. The gap in part reflected a slightly greater reduction in unit travel costs (of about 20 percent) than anticipated, following the policy changes enacted under the Employment Compensation and Benefits Review (ECBR). Tuition costs rose by 7 percent overall, while the number of staff receiving education allowance payments increased by about 5 percent.
- **Settlement Allowances** are comprised of the settling-in grants for new staff, installation allowances for new staff and long-term experts, and the installation allowances for staff, including resident representatives and long-term experts, relocating to and from the field offices. Settlement allowance expenditures totaled \$4.2 million, were within budget, and were lower than last year.
- **Overseas allowances** are paid to resident representatives, other overseas office staff, and long-term experts to compensate for expenses incurred for overseas posting. At \$15.5 million, expenditures were \$0.4 million over budget. While staff costs were on budget, the overseas allowances for experts exceeded the budget slightly, reflecting a growing number of long-term experts (mainly for technical assistance) in the field. The weakened dollar also contributed to the increase in costs, which rose by 5.6 percent over FY2006.
- **Expenditures on Separation Benefits** comprise the Separation Benefits Fund (SBF) and the one-time Staff Restructuring Initiative (SRI) which was introduced for FY2007 in anticipation of changing staffing requirements during the year (Box 2). The SBF and SRI provide financial compensation to staff where positions are abolished, when there is a reduction in complement, job requirements change, or there are medical considerations that lead to departure with the position remaining in

²¹ “Staff Retirement Plan—Actuarial Assumptions and Methods” (RP/CP/06/11, 10/12/06).

place. Expenditures under these initiatives were \$8.3 million on an approved FY2007 budget of \$9.4 million.²²

- **Training and Study Allowance** expenditures include internal training for Fund staff administered by HRD and INS, along with training under the scholarship program through INS and OAP. Expenditures in FY2007 were \$8.4 million, under budget by about \$1 million, largely because training dropped off unexpectedly in the last quarter of the year. The budget was under spent by \$0.1 to \$0.2 million in a number of other areas, including language training, the independent study program, management training, Institute training for economists, and training-related travel.

²² HRD made SBF and SRI commitments to 69 staff for a total cost of \$9.7 million, which served as the outturn estimate. FIN recorded expenditures for 53 of those staff—totaling \$8.3 million. This amount corresponds to those separations that were finalized with signed agreements in place in FY2007.

Box 2. The Separation Benefits Fund and the Staff Restructuring Initiative

The separation benefits fund (SBF) policy provides for financial compensation or severance pay to staff members in cases where positions are abolished, there is a reduction in strength (i.e., a reduction in the number of IMF staff positions), job requirements change, or there are medical considerations where disability does not apply.

In FY2007, the Staff Restructuring Initiative (SRI) was introduced to address expected changes in staffing requirements related to the MTS, including department consolidation, and support department off shoring and outsourcing initiatives to improve the Fund's service delivery. A sum of \$5 million was set aside to finance anticipated restructuring costs. The SRI funding was in addition to \$4.4 million budgeted for the SBF.

When a separation benefit is approved for a staff member, the dollar value of all salary payments for the duration of the benefit is recorded as an SBF expenditure against the current financial year, even if the staff member elects to receive the compensation as separation leave rather than a lump sum payment.

In FY2007, HRD committed a total of \$9.7 million to provide separation resources to 69 Fund staff. Of that total, \$6.3 million in SRI resources was committed to 36 staff, related to the Monetary and Capital Markets (MCM) and Technology and General Services (TGS) restructuring initiatives. An additional \$3.4 million was committed to 33 staff under the traditional SBF program.

While HRD made commitments of \$9.7 million under the SBF and SRI, the expenditure outturn under both programs totaled \$8.3 million. Of the 69 commitments made by HRD by year-end, FIN recorded financial obligations for 53 where formal signed agreements were in place. The remaining 16 cases are expected to be finalized and paid for in FY2008.

The table below shows SBF expenditures over the last six years, including the SRI expenditures for FY2007. The largest expenditures were in FY2004 when separation benefits totaled almost \$9.2 million, related to the restructuring and reorganization of several departments, including AFR, EU1, EU2, and MED.

Financial Year	Number of Approved Separations	Salary Amount (In millions of U.S. dollars)
2002	57	7.5
2003	43	6.3
2004	66	9.2
2005	56	6.7
2006	28	3.9
2007	53	8.3

Source: Office of Budget and Planning.

27. **Travel expenditures during FY2007 were \$98.6 million, some \$3.4 million or 3.3 percent below budget, after including the expenditures related to the Annual Meetings (Table 11).** The main reasons for this gap between budget and outturn were lower expenditures on seminar-related travel, particularly externally-funded seminars, and a significant reduction in the use of charters. Departmental business travel expenditures were not a major contributor to the gap. A larger than expected increase in externally financed business travel served to offset most of the gap between budget and outturn on Fund-financed business travel.²³

- **In business travel, the number of missions in FY2007 was almost 3 percent higher than in FY2006.** However, missions were also smaller in size and shorter in duration than in the previous year (Table 12). The most significant change was in the number of externally-financed missions, which grew over 50 percent this year. These missions continued to be staffed by one person on average, but were shorter, by a day and a half, than in FY2006.
- **The Fund's business travel unit costs, which are measured as a weighted average of changes in airfares, recorded hotel expenditures, and per diem allowances, increased by 2.5 percent in FY2007 relative to FY2006.** This is a full percentage point below the budgeted increase of 3.5 percent. Changes in the geographical distribution of travel appears to have had a marginal effect on expenditures (Figure 2). The number of nights spent in the most expensive region, the Middle East and Central Asia, were down 2.5 percent over last year, while the second most expensive region, Asia and the Pacific, saw only a 1 percent increase in the number of nights. Travel to Africa was up 2.4 percent but prices increased by only 1.1 percent. Changes in volumes for the European and Western Hemisphere regions were less than 1 percent.
- **Expenditures on the Annual Meetings were \$5.4 million, \$0.4 million over budget.** These expenditures represent the additional costs to departments and the Joint Secretariat of attending the meetings overseas relative to at headquarters. Limits on the number of attendees per department were set and adhered to, to help constrain travel expenditures.

²³ The reorganization of MCM during FY2007 contributed significantly (over \$1.5 million) to a gap in Fund-financed business travel.

Table 11. Gross Administrative Expenditures: Travel Expenditures, FY2005–FY2007
(In millions of U.S. dollars)

	FY2005 Outturn	FY2006 Outturn	FY2007		Variance	
			Budget	Outturn	Amount	Percent
Total Travel	90.2	94.2	102.0	98.6	-3.4	-3.3
Business Travel	77.6	80.4	89.3	84.8	-4.4	-5.0
Departmental business	65.6	68.4	68.5	68.8	0.3	0.4
Meetings of Governors	2.1	2.3	2.1	2.4	0.3	13.7
Charter flights	2.1	1.2	1.7	0.1	-1.5	-93.3
Seminar program	3.2	4.1	7.0	3.5	-3.4	-49.4
Institute participants 1/	3.8	3.4	3.9	3.7	-0.3	-7.1
Resident representative travel	0.8	0.9	1.1	1.0	-0.2	-13.6
Annual Meetings	...	...	5.0	5.4	0.4	8.1
Other Travel	12.7	13.8	12.8	13.8	1.0	8.0
Settlement	8.4	9.7	8.0	9.3	1.3	15.7
Miscellaneous travel	4.3	4.1	4.7	4.5	-0.2	-5.0

Source: Office of Budget and Planning.

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

1/ This category includes the travel of participants in IMF seminars and in IMF Institute courses and resident representative in country-travel, which were previously classified under other travel.

Table 12. Travel Volumes, FY2006–FY2007 1/

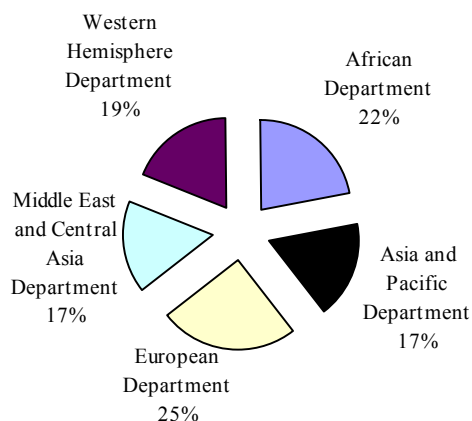
	FY2006	FY2007	Change (In percent)
Travel volumes			
Missions	5,745	5,901	2.7
Mission-Persons	9,178	8,878	-3.3
Mission Nights	71,047	70,016	-1.5
Average Mission Size (in number of staff)	1.6	1.5	-5.8
Average Mission Length (in days)	12.4	11.9	-4.1

Source: PeopleSoft Financials.

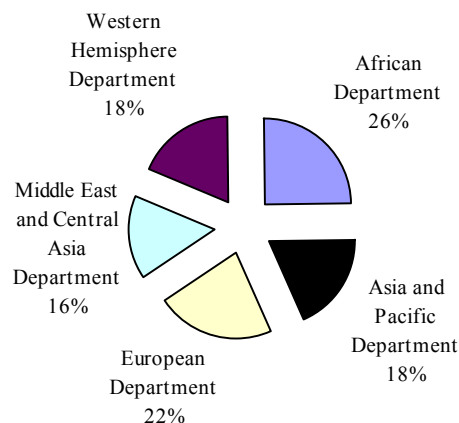
1/ Does not include travel associated with attendance at the Annual Meetings.

Figure 2. FY2006—FY2007 Business Travel Indicators by Geographical Region

Number of Mission Nights by Region, FY2006



Number of Mission Nights by Region, FY2007



Sources: PeopleSoft Financials; and PeopleSoft HR.

28. **Administrative expenditures on the building and other expenditures category totaled \$159.7 million in FY2007—\$15.2 million (8.7 percent) below budget.** A considerable underrun in this expense category was projected earlier in the financial year. However, developments in the fourth quarter increased the size of the final underrun, as explained in the following paragraphs.

- **The Contractual Services expense category** recorded the largest underrun in this area—\$10.4 million below the approved budget of \$28.9 million. As indicated in the nine-month report, this was partially the result of a large amount of reserves that were held centrally by OBP to fund MTS initiatives. While some resources were provided to departments during FY2007, most of these reserves were not utilized, pending finalization of a number of MTS-related initiatives (e.g., follow up to the Malan report). Separately, however, expenditures for some committees (e.g., the Committee of Eminent Persons) and studies (e.g., flowing from the ECBR) were also lower than envisaged. There was also a reduced demand relative to FY2006 for centrally-provided translation services.
- **The Building Occupancy expense category** ended the year \$2.5 million under the approved budget, mainly a result of: (i) reduced security expenditures through strategic reduction of the guard posts in anticipation of the OIA recommendations; (ii) negotiation of lower than anticipated utility rates and improved regulation of HQ2 consumption, accompanied by milder than normal weather; and (iii) lower

expenditures for building alterations in overseas offices.

- **Spending in the Information Technology category** was lower than the approved budget by \$2.3 million. While the elimination of several software licenses, and the associated annual maintenance, was the main reason for the gap between the outturn and the budget, turnover among IT vendor staff, accompanied by difficulty in finding qualified replacements, also contributed.

29. **Table 13 provides information on departmental budgets and outturns for FY2007: no department exceeded its budget.**

Table 13. Gross Administrative Expenditures by Department, FY2007 1/
(In millions of U.S. dollars)

	Approved Budget	Working Budget 2/	Outturn	Budget Utilization 3/
Area Departments				
African	65.4	66.5	65.7	98.7
Asia and Pacific	34.7	36.5	35.5	97.5
Office for Asia and the Pacific	7.2	7.2	6.4	88.6
European	46.0	47.0	46.6	99.1
Office in Europe	3.1	3.2	2.7	84.6
Middle East and Central Asia	39.6	40.3	39.6	98.2
Western Hemisphere	38.4	39.4	39.4	100.0
Subtotal	234.4	240.1	235.9	98.2
Functional and Special Services Departments				
Finance	26.5	27.3	26.1	95.6
Fiscal Affairs	56.8	57.2	56.0	97.9
IMF Institute & regional institutes	35.7	36.1	34.6	95.9
Monetary and Capital Markets	77.4	78.3	76.4	97.6
Legal	21.7	21.7	19.2	88.9
Policy Development and Review	36.6	37.6	36.7	97.5
Research	21.6	22.2	22.1	99.4
Statistics	41.2	41.5	41.0	98.8
Subtotal	317.6	322.0	312.2	97.0
Information, Liaison, and Support Departments				
External Relations	28.0	28.7	27.3	95.3
Human Resources	31.7	32.2	29.7	92.3
Secretary's	13.2	13.6	13.1	96.4
Technology and General Services	191.9	193.2	190.3	98.5
Diversity Office	0.3	0.2	0.0	24.2
Investment Office	1.8	1.9	1.5	83.6
Office of Budget and Planning	5.5	5.7	5.2	91.3
Office of Internal Audit and Inspection	4.7	4.8	4.7	98.7
Office of the Managing Director	6.7	7.2	6.8	95.4
Office of Technical Assistance Management	6.2	6.2	4.8	76.5
United Nations Office	0.9	1.0	0.9	91.1
Subtotal	291.0	294.5	284.5	96.6
Governance office expenditures 4/	67.3	71.2	70.6	99.2
Centrally controlled accounts 5/	69.8	52.4	43.5	83.0
Variation in standard costs and other adjustments 6/	...	...	19.0	...
Total Gross Expenditures	980.2	980.2	965.8	98.5

Source: Office of Budget and Planning.

Note: Totals may not add due to rounding.

1/ Includes activities funded by donor contributions.

2/ Working budget adjustments are distributions from the central allocations held by OBP: for example, the increases on allocation of resources for temporary contractual help when staff are on extended sick leave, maternity leave, etc.

3/ Outturn relative to working budget.

4/ Includes the Independent Evaluation Office, Office of Executive Directors, Administrative Tribunal, etc.

5/ Includes centrally administered programs (such as resident representatives, summer interns, and special appointees), and accounts for working budget adjustments, charter flights, and contingency reserves.

6/ Includes the payment of \$19.0 million for SRP Service Credit Program.

