

**FOR  
AGENDA**

SM/08/63  
Supplement 1

March 11, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Review of Charges and Maturities—Setting the Basic Rate of Charge  
Under a New Income Model—Supplementary Material**

The attached supplement to the paper on the review of charges and maturities—setting the basic rate of charge under a new income model (SM/08/63, 2/28/08) has been prepared on the basis of additional information and is scheduled for discussion tomorrow, **Wednesday, March 12, 2008**.

The staff does not propose the publication of this paper.

Questions may be referred to Mr. Green (ext. 34797) 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.

Att: (1)

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Department Heads



INTERNATIONAL MONETARY FUND

**Review of Charges and Maturities—Setting the Basic Rate of Charge  
Under a New Income Model: Supplementary Material**

Prepared by the Office of Budget and Planning

(In consultation with the Finance Department)

Approved by Siddharth Tiwari and Andrew Tweedie

March 11, 2008

1. At the request of Executive Directors, this Supplement to SM/08/63 on February 28, 2008, provides additional information on the existing methodology for estimating the costs related to Generally Available Facilities (GAF), as well as those associated with the administration of the Poverty Reduction and Growth Facility-Exogenous Shocks Facility Trust (PRGF-ESF).<sup>1</sup>
2. The costs related to GAF and PRGF are estimated using a bottom-up approach as follows:
  - **GAF:** Estimates are based on (i) the time spent on GAF business by the Executive Board, management, and staff; (ii) the direct costs of mission travel to relevant countries; and (iii) information technology capital project expenses and overhead costs based on the ratio of GAF-related costs of salaries, benefits, and travel of Executive Directors and staff, to the Fund-wide costs for these items. The Time Reporting System (TRS) is used to derive staff time (see Attachment for details); Executive Board time is derived using board papers on GAF as a proxy, while that for the OMD is apportioned based on TRS.
  - **PRGF:** Estimates are based on (i) the time spent on PRGF business by the Executive Board, management and staff; (ii) the direct costs of mission travel to relevant countries; and (iii) information technology capital project expenses and overhead costs based on the ratio of PRGF-related costs of salaries, benefits, and travel of Executive Directors and staff, to the Fund-wide costs for these items. TRS is used to derive staff time (see Attachment for details); Executive Board time spent on PRGF

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<sup>1</sup> In previous years, staff has provided the Executive Board with estimates of the expenses associated with the PRGF, for example, see “The FY2007–FY2009 Medium-Term Administrative and Capital Budgets” (EBAP/06/39, 3/31/06), page 36.

business is derived using SEC's own records; the same percentage for OED is used as a proxy for time spent on PRGF business by OMD.

3. Historically, the Fund's deliverables in the Use of Fund Resources (UFR) category were divided into ESAF (and subsequently PRGF/PRSP) and "all other programs." In FY2007, pursuant to the recommendations of the Second Task Force on Performance Indicators,<sup>2</sup> the Fund adopted the current output structure of four Key Output Areas (KOAs) and 12 constituent outputs, moving away from the previous classification of five primary outputs. In the new classification, the old primary output "UFR" was replaced with the KOA "Country Programs and Financial Support," and its two constituent outputs, namely: "Generally available facilities" and "Facilities specific to low income countries."
4. This change, together with concurrent improvements in the allocation of overhead to the production of the Fund's outputs and definitional changes with regard to support and governance activities,<sup>3</sup> affected the overall process for allocating the Fund's administrative expenditures to outputs, including the derivation of the GAF and PRGF cost estimates. This change in methodology complicates comparisons with previous years.
5. The GAF projection for FY2008 has been revised to \$98 million on the basis of new information showing less staff work on GAF activities and improvements in cost allocation. The estimates for FY2006–FY2007 have also been revised to \$151 million and \$120 million, respectively, also reflecting improvements in cost allocation. Staff will continue efforts to refine methodologies and underlying data for both GAF and PRGF activities in coming months.

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<sup>2</sup> See "Report of the Second Task Force on Performance Indicators" (EB/CB/06/7, 11/17/06) and "Report of the Second Task Force on Performance Indicators—Technical Companion Paper" (EB/CB/06/7, 11/17/06, Supp. 1).

<sup>3</sup> See "The FY2007–FY2009 Medium-Term Administrative and Capital Budgets" (EBAP/06/39, 3/31/06), pages 28–31 and "The FY2007–FY2009 Medium-Term Administrative and Capital Budgets—Selected Topics and Statistical Appendix" (EBAP/06/39, 4/21/07, Supp. 1), pages 32–36.

### TRS Codes used in the GAF and PRGF Cost Estimates

Time recorded in TRS is used to determine the estimate of Fund resources allocated to GAF and PRGF. In some cases, all time recorded to a particular code is included in the estimate; in other cases, country codes are used to determine whether time is allocated to GAF or to PRGF.<sup>4</sup> The two sets of relevant codes for GAF and PRGF, respectively, are as follows.

<b>GAF: Codes for which all recorded time is included</b>	
<b>Code</b>	<b>Description</b>
420	Research on country programs and financial support issues, analytical work on generally available Fund facilities.
431	Policy development work on generally available Fund facilities. (i.e., SBA, EFF, CCL, RAP, STF, SMP, etc.)
434	All activities related to the development and monitoring of arrears strategy.
481	Review by non-originating departments on generally available facilities.
490	Outreach specifically related to generally available facilities.

<b>PRGF: Codes for which all recorded time is included</b>	
<b>Code</b>	<b>Description</b>
412	HIPC country work
421	Research on facilities specific to low-income countries
432	Policy work on PRGF, PRSP, and PSIA issues
433	HIPC policy development issues
471	Management of PRGF and HIPC trusts and financial assets related to PRGF and HIPC
482	Review by non-originating departments on facilities specific to low-income countries
491	Outreach specifically related to facilities specific to low-income countries

<sup>4</sup> The GAF includes countries in the following status: Emergency Assistance Natural Disaster, Post Conflict Emergency Assistance, Compensatory Financing Facility, Extended Fund Facilities, Rights Accumulation Programs, Supplemental Reserve Facility, Stand-by Arrangements, Post-Program Monitoring (PPM), and Staff Monitored Programs. Under the output "Facilities specific to low-income countries" are PRGF/PRSP/HIPC, the Policy Support Instruments, and MDRI.

<b>GAF and PRGF: Codes for which country status determines allocation</b>	
<b>Code</b>	<b>Description</b>
411	Use of Fund resources
413	Arrears country work
440	Safeguards
451	Ex-post assessments
452	Evaluations of Fund facilities
460	Trade integration mechanisms

**Travel:** The travel codes used are 411, 440 and 490. These costs are allocated to GAF or to PRGF, depending on the status of the country at the time of travel. The code 411 refers to program work; the code 440 refers to safeguard missions; and the code 490 refers to outreach missions.