

EBAP/08/142

October 21, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **FY 09 Administrative and Restructuring Budgets—First Quarter Budget Execution (May–July)**

Attached for the **information** of Executive Directors is a paper on the FY 09 administrative and restructuring budgets—first quarter budget execution (May–July).

Questions may be referred to Ms. Ulmschneider (ext. 34718) and Mr. Green (ext. 34797) in OBP.

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INTERNATIONAL MONETARY FUND

**FY 09 Administrative and Restructuring Budgets—
First Quarter Budget Execution (May–July)**

Prepared by the Office of Budget and Planning

Approved by Siddharth Tiwari

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At the end of the first quarter, there are no emerging pressures on the net administrative budget; and the execution of the restructuring budget is on track.

Key output shares for FY 09 Q1 indicate that departments are using their allocated resources broadly in line with the new strategic priorities and mandates, as reflected in the Fund Business Plan (EBAP/08/19, dated September 12, 2008).

Some uncertainties remain:

- The larger-than-planned number of volunteers creates an opportunity to rehire with the skill sets needed for a refocused Fund. Departments have put in place hiring strategies to meet output objectives. Their success will largely depend on how fast and effectively these workforce plans can be implemented.
- The FY 09 budget includes planned receipts of \$98.6 million. This represents a 38 percent increase compared to the central estimate in FY 08. At the end FY 09 Q1, receipts are lower-than-planned. Timing issues and a lower-than-anticipated service delivery in capacity building were contributing factors. A catch-up over the next few months is likely. No implications are anticipated for the net administrative budget.

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I. SUMMARY AND OVERVIEW

1. **There are no emerging pressures on the net administrative budget.** Utilization rates in all input categories are below last year's first quarter (Table 1)—reflecting a higher than planned number of staff on the restructuring budget. Drawdowns of external funding are also below anticipated levels, but a catch up over the next few months is likely (Section II).

	FY 08 Budget	FY 09 Budget	Budget Execution May-July			
			FY 08 (in dollars)	FY 09 (in dollars)	FY 08 (in percent of budget)	FY 09 (in percent of budget)
Personnel	723.1	696.8	156.5	134.1	21.6	19.2
Salary	424.6	417.4	91.5	77.4	21.6	18.5
Other Personnel Costs	298.5	279.5	65.0	56.7	21.8	20.3
Travel	100.5	97.9	13.8	9.3	13.8	9.5
Buildings and Other Expenses	160.6	163.4	29.4	27.1	18.3	16.6
Contingency Reserve	9.6	8.6	n.a.	n.a.	n.a.	n.a.
Gross Expenditures 2/	993.8	966.8	199.8	170.4	20.1	17.6
Less: Receipts 2/ 3/	71.4	98.6	11.9	10.4	16.7	10.6
Net Budget	922.3	868.2	187.9	160.0	20.4	18.4

Source: Office of Budget and Planning

1/ Personnel expenditures were reduced by \$3.1 million to adjust for a delay in the reclassification of personnel costs for volunteers from the administrative budget to the restructuring budget (see also Table 3).

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

3/ Figures based on the central estimate for receipts.

2. **The execution of the restructuring budget for volunteers is on track.** This paper, and subsequent budget execution papers, will report on restructuring expenditures for the relevant period. An overview at end-Q1 is presented in Section III.

3. **The shares of expenditures allocated across key outputs indicate that departments are using their resources broadly in line with the Fund's objectives described in the Fund Business Plan (Table 2) (Section IV).** A larger-than-planned share of resources was devoted to country specific and regional monitoring, with lower shares recorded for country programs and financial support, and in particular for capacity building. The latter is largely temporary and relates to previous year accruals, timing-related issues with booking expenses, and a slower-than-anticipated pace in drawdowns of external financing. Support shares are higher-than-planned, mostly because of costs associated with restructuring; and payment of annual fees and leases in Q1.

	FY 09	
	Plan	Q1 2/
1. Global Monitoring	12.7	12.3
2. Country specific and regional monitoring	22.6	23.5
3. Country programs and financial support	13.4	12.3
4. Capacity Building	18.0	13.2
Service delivery (1+2+3+4) 2/	66.6	61.3
Support	33.4	38.7

Source: Office of Budget and Planning.

1/ Excludes governance and contingency reserve.

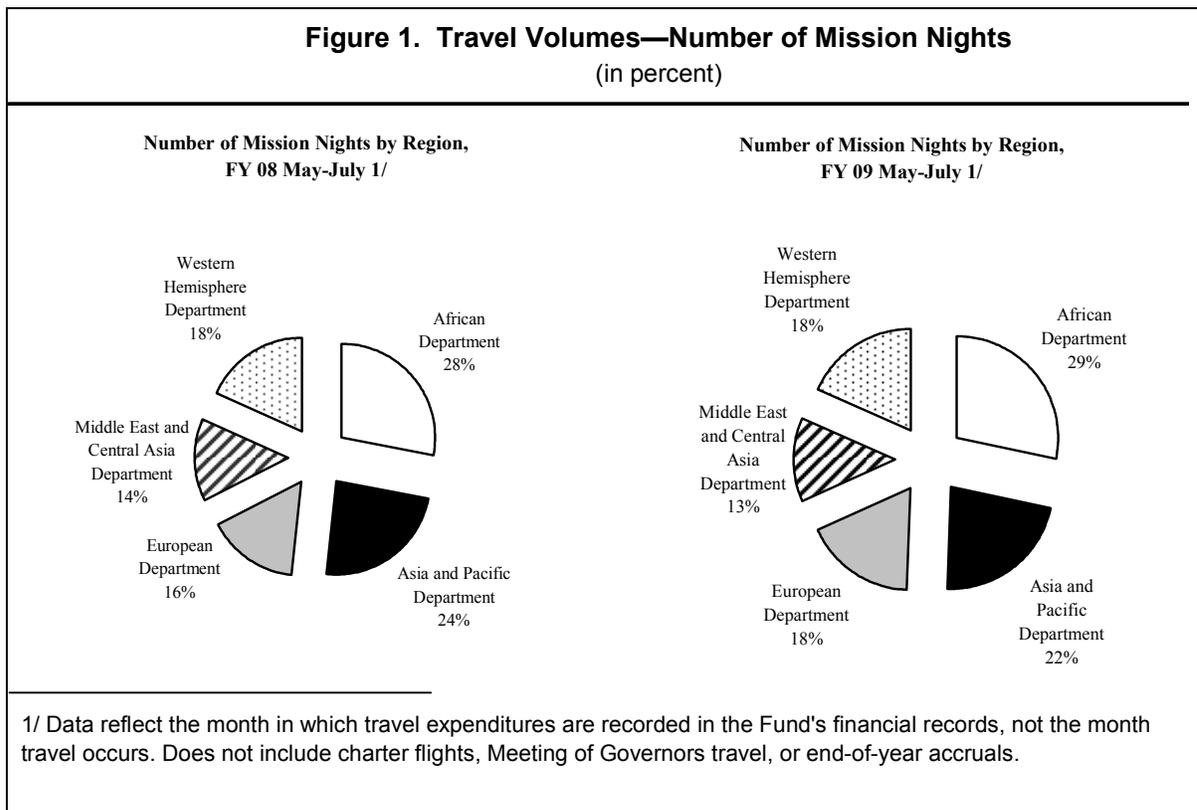
2/ Includes restructuring delay expenditures.

II. ADMINISTRATIVE EXPENDITURES BY INPUT

4. **Budget utilization rates for all major inputs are below last year's first quarter** (see Table 1). This is for the most part the result of a larger-than-anticipated number of volunteers. Key points are:

- **Personnel:** the lower utilization rate reflects the downsizing and the higher-than-planned number of volunteers. As was the case in FY 08 Q1, the compensation award had not yet been processed at end-Q1. Subsequently, on August 22, a 5.7 percent compensation increase was processed retroactive to May 1, 2008. Data show that budget utilization rates continue to be below the comparable period last year.
- **Business Travel:** travel volumes are largely unchanged relative to FY 08. The impact of the new travel policy and the designated airline program also generated savings, even though airfares, notably to Africa and Asia, have begun to rise. Travel shares are mostly in line with last year (Figure 1). In addition, a change in the recognition of travel rebates contributed to lower levels of recorded travel expenses. The latter is a permanent change, and for the year as a whole, ceteris paribus, will result in lower-than-planned expenses in the travel accounts accompanied by lower receipts. On a net basis, the impact of this change is zero.

Figure 1. Travel Volumes—Number of Mission Nights
(in percent)



- **Receipts:** there are several factors that contributed to lower-than-expected levels at end-Q1:
 - Lower-than-anticipated drawdowns of donor funding. Activities on externally funded projects are expected to pick up over the next few months, as departments refocus their efforts. OTM and OBP will closely monitor scheduled drawdowns, but no negative impact on the net administrative budget is expected.
 - Agreement on rental payments from the World Bank for one floor in HQ2 and for reimbursements of the Investment Office are in place, but payments have not yet commenced.
 - The change in the recording of travel rebates. These are now credited in the travel expense account rather than in the revenue account, resulting in lower overall receipts.
 - A delay in the implementation of the policy on parking fees will result in slightly lower-than-budgeted parking receipts for the year as a whole.

CHANGE IN THE RECORDING OF TRAVEL REBATES

In formulating the FY 09 net administrative budget, travel rebates were recognized as part of receipts (\$9.6 million).

With the implementation of the designated airline program under the new travel policy, the manner in which travel rebates are recorded has changed. They are now recorded as credits in the travel expense accounts rather than in the receipts account. In effect, while it will lower the recorded expenses in the travel account and lower revenues in the receipts account, it is the appropriate manner to record such travel rebates. This change in recording travel rebates, which is in line with generally accepted accounting practices, has no impact on the net administrative budget.

5. **The larger-than-planned number of volunteers presents an opportunity to hire staff with the skill sets needed for a refocused Fund.** Departments have commenced their hiring strategies; they include plans to fill vacancies from both within the Fund and through external hires. The timing of new hires, while taking into consideration volunteers on delay, seeks to keep expenditures within budget and to ensure the delivery of key outputs. Most departments are expected to be at their “steady-state” staffing levels in FY 10.

III. THE RESTRUCTURING BUDGET

6. **The Executive Board approved a total of up to \$185 million for restructuring expenses** as part of the MTB (EBAP/08/20, 03/21/08). Of this, a provision of \$7.6 million was made for restructuring expenditures for the Offices of the Executive Directors.

7. **The approved restructuring budget for staff covers the separation of 444 volunteers, and up to \$177.4 million in expenses over the period FY 08–11.**¹ These include severance payments under the Separation Benefits Fund (SBF), home leave and education allowances. The budget also covers salaries and associated benefits for volunteers who have delayed their departure. Salaries and benefits for those volunteers who were deferred by the Fund for business reasons are charged to the administrative budget for the period of deferral. Both groups remain in active service until separation (or the commencement of separation leave) and are contributing to key outputs.

8. **Expenditures of \$18.6 million are recognized during the FY 09 first quarter (Table 3) and are broadly in line with budgetary assumptions that were based on volunteers' delay and separation dates.** Since volunteers have the option to change their elected separation dates, staff will monitor these developments closely.

- The average delay period is about 8 months, and as expected almost two-thirds of total expenditures in the first quarter are recorded for salaries and benefits of volunteers who have delayed their departure.
- Of the 444 volunteers covered by the restructuring budget, 31 separated from the Fund during the first quarter.

Table 3: Restructuring Budget Execution: FY09 Q1
(millions of U.S. dollars)

	FY 09 Q1 Expense
Total	18.6
Delay costs	11.9
Salaries	8.9
Benefits	3.0
Separation benefit costs	6.7
SBF salary payments	4.6
Benefits	2.0

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

1/ Includes \$3.1 million in personnel expenditures from the administrative budget due to a delay in reclassification of volunteer costs to the restructuring budget.

9. **Volunteers who have delayed their departure contribute to the delivery of departmental business plans.** While volunteers on delay are not charged to departmental budgets, their time is included in the calculations of departmental output shares (Section IV).

IV. OUTPUTS AND PERFORMANCE INDICATORS

10. **The FY 09 Q1 key output shares indicate that departments are broadly on track to deliver the key outputs as summarized in the Fund Business Plan.** Table 4 shows the

¹ As reported in EBAP/08/89, separation costs for three categories of volunteers, namely (i) department directors, (ii) staff leaving under rule of age 50, and (iii) staff on LWOP, totaling 48 staff, are charged to the administrative budget. Costs for these volunteers were not included in the original restructuring budget and therefore were not considered part of the base.

allocation of resources by key output and by type of department during the first quarter relative to plan. These figures, as noted above, include the activities of volunteers on delay.

- **The share of resources devoted to global monitoring is just below the annual plan.** Within its constituent outputs, a slightly larger share of resources was spent on multilateral surveillance, mostly reflecting the start of an increased focus on macro-financial linkages, in particular in RES.

	Area Depts		TA Depts		Functional Depts		Support Depts		Total 1/	
	Plan	Q1	Plan	Q1	Plan	Q1	Plan	Q1	Plan	Q1
(In percent share of total gross administrative and restructuring delay expenditures)										
1. Global Monitoring	2.0	1.6	13.9	17.4	41.4	40.0	6.5	6.5	12.7	12.3
Oversight of the international monetary system	0.1	0.0	3.1	4.0	12.5	11.8	1.0	0.6	3.4	2.6
Multilateral surveillance	0.9	0.4	4.1	6.2	11.9	12.3	1.4	2.1	3.5	4.0
Cross-country statistical information and methodologies	0.0	0.0	6.4	6.7	0.4	0.9	1.9	2.0	2.5	2.5
General research	0.1	0.1	0.0	0.3	0.9	1.3	0.0	0.3	0.2	0.4
General outreach	0.9	1.1	0.3	0.2	15.8	13.7	2.0	1.6	3.1	2.8
2. Country specific and regional monitoring	52.4	55.7	18.0	18.5	11.7	11.7	4.1	3.3	22.6	23.5
Bilateral surveillance	45.8	50.1	9.5	10.0	10.5	11.3	2.6	2.2	17.6	19.3
Regional surveillance	6.5	5.4	1.2	1.3	1.0	0.4	0.7	0.5	2.5	2.1
Standards and codes and financial sector assessments	0.2	0.2	7.3	7.2	0.2	0.1	0.9	0.7	2.5	2.1
3. Country programs and financial support	32.2	28.6	3.6	3.1	20.8	20.6	2.1	1.5	13.4	12.3
Generally available facilities	13.3	13.3	1.9	1.5	8.9	9.9	1.4	0.9	5.9	5.8
Facilities specific to low-income countries	18.9	15.2	1.6	1.6	11.9	10.7	0.7	0.6	7.5	6.4
4. Capacity Building	3.2	2.3	53.3	47.4	1.0	0.7	3.9	1.2	18.0	13.2
Technical assistance	2.8	2.3	38.7	36.6	0.7	0.6	1.0	0.8	12.7	10.3
External training	0.4	0.0	14.6	10.8	0.3	0.1	2.9	0.4	5.3	3.0
Service delivery (1+2+3+4) 2/	89.8	88.2	88.8	86.4	75.0	73.0	16.5	12.6	66.6	61.3
Support	10.2	11.8	11.2	13.6	25.0	27.0	83.5	87.4	33.4	38.7
(In millions of U.S. dollars)										
Contingency reserve	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.6	n.a.	8.6	n.a.
Governance	0.0	0.0	0.5	0.1	0.9	0.2	0.9	0.1	87.7	18.7
Total gross administrative expenditures	220.6	45.1	241.4	40.5	112.9	21.8	240.0	44.9	966.9	170.4
<i>Restructuring expenditures for volunteers on delay</i>	...	...	...	...	...	...	...	...	72.0 3/	11.9
Total gross administrative and restructuring delay expenditures	220.6	45.1	241.4	40.5	112.9	21.8	240.0	44.9	1,038.9	182.3

Source: Office of Budget and Planning.

1/ Includes central resources and expenditures related to volunteers on delay.
2/ Excludes governance and contingency reserve.
3/ The budget for restructuring delay expenditures is not an annual appropriation. Most of the charges will be incurred in FY 09, but also in FY 10

- **A larger-than-planned annual share of resources is recorded in country specific and regional monitoring, notably in bilateral surveillance.** This increased share is supported by a number of quantitative performance indicators, e.g., the number of surveillance papers discussed at the Executive Board were proportionally higher compared to the annual plan, but in line with seasonal patterns; and 50 percent of all planned streamlined Article IV consultations were completed in Q1 (Table 5).
- **A lower share of resources goes to country programs and financial support.** In particular, departments spent less resources on low-income countries, in line with fewer number of programs. This said, staff are stepping up efforts to address emergency situations in countries facing balance of payments shocks (related to the food/fuel and financial market crises). This could bring about a rise in the share of resources for country programs in the second quarter.

Table 5. Selected Strategic Performance Indicators, FY 09 Q1
(Cumulative, unless noted otherwise)

	FY 09	
	Plan Year	Outturn Q1
Global monitoring		
Oversight of the International Monetary System (IMS)		
Number of policy and analytical papers prepared for and distributed to stakeholders 1/	25	7
Cross-country statistical information and methodologies		
Number of statistical manuals and guides published 2/	23	23
General research 3/		
Number of research papers issued or published	262	64
General outreach		
Number of dissemination events (press conferences and speeches)	60	17
Number of interactions with external constituencies 4/	366	84
Regular General publications (F&D, IMF Survey, Annual Report)	223	45
Country specific and regional monitoring		
Bilateral surveillance		
Non-streamlined Article IV consultations concluded	147	37
Streamlined Article IV consultations concluded	6	3
Regional surveillance		
Number of regional surveillance reports completed 5/	2	2
Standards and Codes and Financial Sector Assessments		
FSAP assessments initiated	9	0
FSAP updates initiated	11	3
Stand-alone Fiscal and Statistical ROSCs assessments completed	9	3
AML/CFT assessments and updates completed	10	2
Country programs and financial support 2/		
Generally available facilities	26	24
Upper credit tranche facilities (SBA, SRF, EFF and CFF)	8	7
Emergency assistance facilities (ENDA and EPCA)	5	4
Non-financial monitoring programs (PPM, SMP, other near program monitoring)	13	13
Facilities specific to low-income countries		
Upper credit tranche facilities (PRGF and PRGF Exogenous Shocks Facility)		
Number of programs	31	29
Number of Policy Support Instruments (PSI)	5	5
Capacity building		
Technical assistance		
Number of TA reports	270	87
External training		
Participant training weeks (INS)	8,960	2,265

Source: Office of Budget and Planning.

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

2/ Stock at end of the quarter.

3/ Total research.

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

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

- **The share of personnel resources spent on capacity building is close to the annual plan.** Slower-than-anticipated drawdowns of donor financing and a number of timing issues, however, contributed to the overall lower-than planned level when examining the share of total resources used (see Table 3). These include accruals that had not been cleared and a lag in the submission of training expenses. The volume of training delivered by the Institute was as scheduled.
 - **A higher-than-planned percentage share of resources goes to support services.** This is largely the result of costs associated with the higher number of volunteers and the restructuring of departments. It also is a function of payments in the first quarter of annual fees and lease costs.
11. **Some departments have begun to establish quarterly plans for their strategic performance indicators.** In the longer-term, it is anticipated that those plans could serve as benchmarks for in-year measuring of performance and as such could provide a better indication of progress made in the delivery of outputs. As highlighted in the Fund Business Plan, Box 2 on Performance Indicators, work is planned to make PIs more representative of the Fund's new strategy, a prerequisite to any meaningful benchmarking.