

EB/CB/08/6
Correction 1

CONFIDENTIAL

January 21, 2009

To: Members of the Executive Board
From: The Acting Secretary
Subject: **Consolidated Medium-Term Income and Budget Framework**

The attached corrections to EB/CB/08/6 (12/29/08) have been provided by the staff:

Typographical Errors

Page 13, Table I.1, row 16, column 3: for "0" read "123"
column 4: for "123" read "199"
column 5: for "199" read "253"
Page 14, Table I.2, row 16, column 3: for "0" read "127"
column 4: for "127" read "223"
column 5: for "223" read "296"

Questions may be referred to Mr. Kabwe, FIN (ext. 37828).

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

Att: (2)

Other Distribution:
Department Heads

Table I.1. Consolidated Income and Expenses, FY 08–FY 15

Baseline Scenario
(in millions of U.S. dollars)

	Actual	Estimated	MTB Timeframe			Projected		
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
A. Operational income 1/	872	893	892	963	985	1,096	1,058	1,039
1. Lending income 2/	267	477	507	471	372	221	114	90
2. Investment income 3/	498	375	259	317	386	612	657	662
Reserves 4/	498	375	259	317	386	428	461	462
Gold endowment pay-out	0	0	0	0	0	185	196	200
3. Interest free resources 5/	100	35	49	99	149	184	206	205
SCA-1 and other	100	35	43	65	68	64	65	64
Gold book value	0	0	6	34	81	120	141	141
4. Reimbursements 6/	6	5	77	77	78	80	81	81
B. Administrative expenses	1,040	946	939	939	966	995	1,022	1,048
1. Net administrative budget 7/	882	830	871	878	904	937	959	988
2. Capital budget items expensed	16	17	15	16	14	11	15	13
3. Depreciation expense	35	37	41	45	48	47	48	47
4. Restructuring expenses 8/	107	62	12	0	0	0	0	0
C. Net operational income (A-B) 9/	-168	-53	-47	24	19	101	36	-9
<i>Memorandum items:</i>								
Operational income from new income model 10/	0	0	123	199	253	481	516	520
Profits from gold sales 2/	0	0	1,014	2,028	2,028	1,014	0	0
Surcharge income	140	146	423	567	391	69	0	0
U.S. dollar/SDR exchange rate 11/	1.57	1.59	1.50	1.50	1.50	1.50	1.50	1.50
SDR interest rate 12/	3.64	2.20	1.90	2.50	3.00	3.25	3.50	3.50
Fund credit (average stock, SDR billions)	6.7	12.6	27.4	30.2	24.2	14.0	6.9	5.3
Precautionary balances (end of period, SDR billions)	6.9	7.0	7.2	7.6	7.9	8.0	8.0	8.0
Capital expenditures (budget definition) 13/	46	59	47	46	48	42	48	49
Capital-related expenses 14/	51	54	56	61	62	58	63	60

Sources: Finance Department and Office of Budget and Planning.

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

1/ Gold sales are assumed to be phased over 3 years beginning in FY 10, at an average price of \$780 per ounce.

2/ Lending income in FY 08 and FY 09 includes surcharge income.

3/ Incorporates the effect of a broader investment mandate from the second half of FY 10 and a 3 percent pay out from the endowment.

4/ Investment income from the reserves of SDR 5.9 billion transferred to the Investment Account in 2006. Additional transfers from the GRA are assumed to commence in FY 10 after recouping losses from FY06-08.

5/ Incorporates the reduction in remuneration expenses from SCA-1 resources and from retaining proceeds equal to the book value of gold in the GRA.

6/ Reimbursement of the GRA for the administrative expenses of the PRGF-ESF Trust is assumed from FY 10.

7/ Assumes annual growth of 3.0 percent in the net administrative budget from FY 12 onwards: FY 13 includes an additional \$5.9 million for holding the annual meetings overseas.

8/ Restructuring costs associated with staff separations. See *The Fund's Income Position for FY 2009–Midyear Review* (EBS/08/143, 12/5/08).

9/ Corresponds to net operational income in Table I.3, with a deduction for restructuring expenses in FY 08–FY 10, and excludes profits from gold sales.

10/ Increase in operational income from broadening investments, the endowment funded by profits from gold sales, the remuneration reduction from the book value portion of gold sales, and reimbursement for PRGF-ESF Trust expenses.

11/ The US\$/SDR exchange rate is assumed to be unchanged from recent levels.

12/ The SDR interest rate is assumed to rise from current levels to 3.5 percent in the medium term, which reflects the historical average level of the SDR interest rate in the past 15 years.

13/ The increased spending in FY 09 includes periodic investments for replacement of servers, multi-functional printers, and microcomputers (\$10 million); the HCM project that modernizes HR processes and frameworks (\$4 million); and the HQ1 Visitor Entrance Security for pedestrian access and screening (\$3 million).

14/ The sum of capital budget items expensed and depreciation expense.

Table I.2. Consolidated Income and Expenses, FY 08–FY 15
High Lending Scenario
(in millions of U.S. dollars)

	Actual	Estimated	MTB Timeframe			Projected		
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
A. Operational income 1/	872	1,176	1,563	1,960	1,913	1,765	1,487	1,364
1. Lending income 2/	267	746	1,149	1,371	1,119	645	255	110
2. Investment income 3/	498	375	260	365	521	834	937	962
Reserves 4/	498	375	260	365	521	650	741	762
Gold endowment pay-out	0	0	0	0	0	185	196	200
3. Interest free resources 5/	100	50	78	148	196	206	213	211
SCA-1 and other	100	50	72	115	115	86	72	70
Gold book value	0	0	6	34	81	120	141	141
4. Reimbursements 6/	6	5	77	77	78	80	81	81
B. Administrative expenses	1,040	946	939	939	966	995	1,022	1,048
1. Net administrative budget 7/	882	830	871	878	904	937	959	988
2. Capital budget items expensed	16	17	15	16	14	11	15	13
3. Depreciation expense	35	37	41	45	48	47	48	47
4. Restructuring expenses 8/	107	62	12	0	0	0	0	0
C. Net operational income (A-B) 9/	-168	230	624	1,021	947	770	465	316
<i>Memorandum items:</i>								
Operational income from new income model 10/	0	0	127	223	296	538	580	588
Profits from gold sales 2/	0	0	1,014	2,028	2,028	1,014	0	0
Surcharge income	140	165	843	1,575	1,323	411	3	0
U.S. dollar/SDR exchange rate 11/	1.57	1.59	1.50	1.50	1.50	1.50	1.50	1.50
SDR interest rate 12/	3.64	2.20	1.90	2.50	3.00	3.25	3.50	3.50
Fund credit (average stock, SDR billions)	6.7	16.9	59.9	83.7	74.0	42.3	16.3	6.6
Precautionary balances (end of period, SDR billions)	6.9	7.2	8.1	9.9	11.4	12.2	12.5	12.7
Capital expenditures (budget definition) 13/	46	59	47	46	48	42	48	49
Capital-related expenses 14/	51	54	56	61	62	58	63	60

Sources: Finance Department and Office of Budget and Planning.

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

1/ Lending income is assumed to include two additional phases of high-lending activity in January and March, each with similar magnitude to that seen in November 2008, leading to a peak of about SDR 90 billion in FY 11. Gold sales are assumed to be phased over 3 years beginning in FY 10, at an average price of \$780 per ounce.

2/ Lending income in FY 08 and FY 09 includes surcharge income.

3/ Incorporates the effect of a broader investment mandate from the second half of FY 10 and a 2 percent pay out from the endowment.

4/ Investment income from the reserves of SDR 5.9 billion transferred to the Investment Account in 2006. Additional transfers from the GRA are assumed to commence in FY 10 after recouping losses from FY06-08.

5/ Incorporates the reduction in remuneration expenses from SCA-1 resources and from retaining proceeds equal to the book value of gold in the GRA.

6/ Reimbursement of the GRA for the administrative expenses of the PRGF-ESF Trust is assumed from FY 10.

7/ Assumes annual growth of 3.0 percent in the net administrative budget from FY 12 onwards: FY 13 includes an additional \$5.9 million for holding the annual meetings overseas.

8/ Restructuring costs associated with staff separations. See *The Fund's Income Position for FY 2009—Midyear Review* (EBS/08/143,12/5/08).

9/ Corresponds to net operational income in Table I.4, with a deduction for restructuring expenses in FY 08-10 and excludes profits from gold sales.

10/ Increase in operational income from broadening investments, the endowment funded by profits from gold sales, the remuneration reduction from the book value portion of gold sales, and reimbursement for PRGF-ESF Trust expenses.

11/ The US\$/SDR exchange rate is assumed to be unchanged from recent levels.

12/ The SDR interest rate is assumed to rise from current levels to 3.5 percent in the medium term, which reflects the historical average level of the SDR interest rate in the past 15 years.

13/ The increased spending in FY 09 includes periodic investments for replacement of servers, multi-functional printers, and microcomputers (\$10 million); the HCM project that modernizes HR processes and frameworks (\$4 million); and the HQ1 Visitor Entrance Security for pedestrian access and screening (\$3 million).

14/ The sum of capital budget items expensed and depreciation expense.