

EBAP/09/162

December 30, 2009

To: Members of the Executive Board

From: The Secretary

Subject: **FY 2010 Administrative, Capital, and Restructuring Budgets—First Half Budget Execution (May–October)**

Attached for the **information** of Executive Directors is a paper on the FY 2010 administrative, capital, and restructuring budgets—first half budget execution (May–October).

It is intended to publish this paper on the Fund's external website after **Friday, January 8, 2010**.

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

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

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INTERNATIONAL MONETARY FUND

**FY 2010 Administrative, Capital, and Restructuring Budgets  
—First Half Budget Execution (May–October)**

Prepared by the Office of Budget and Planning

Approved by John H. Green

December 29, 2009

*At the end of the FY 10 second quarter, all major input categories are below normal half-year spending levels. For the year as a whole, projections point to an under spend of around 5 percent of total available resources, largely due to temporary factors.*

*The delivery of outputs as outlined in the Fund's Business Plan is broadly as envisaged, although global surveillance activities take up a larger share of resources than planned.*

*Execution of the restructuring budget is on track, and the budget is expected to be fully utilized.*

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## I. ADMINISTRATIVE EXPENDITURES

1. **The FY 10 administrative budget comprises the structural budget and an allocation of temporary resources.** The structural budget is the Executive Board approved medium-term budget (MTB) and the temporary resources are carry forward provisions from the previous year, mainly to fund temporary financial crisis activities.
2. **At the end of the second quarter, there are no emerging pressures on the overall budget.** Early indicators show that most departments will fully utilize their structural budget. Recruitment to temporary positions—created to address the demands of the global crisis—has been slower than planned, resulting in budgetary savings. Some departments have noted budgetary pressures related to a more intense engagement with crisis countries than expected.

### A. Inputs

3. **The budget utilization rate for the first half was slightly above the comparable period in FY 09, but that rate was lower than in past years** (Table 1). All major input categories are expected to finish the year below total resources available, i.e., the combined total of structural budget and the temporary allocation. Most departments—with the exception of some support departments—are on track to fully utilize their structural budgets.

**Table 1. Administrative Budget, FY 09–FY 10**  
(in millions of US dollars)

	FY 09 Budget	FY 10 Budget 1/	Budget Execution (May–Oct)			
			FY 09 (in dollars)	FY 10 (in dollars)	FY 09 (in percent)	FY 10 (in percent)
Personnel	696.8	733.7	306.0	346.7	43.9	47.3
Salary	417.4	436.8	178.7	191.5	42.8	43.9
Other Personnel Costs	279.5	296.9	127.4	155.2	45.6	52.3 2/
Travel	97.9	99.6 3/	25.9	41.3	26.4	41.5
Buildings and Other Expenses	163.4	175.2	60.7	65.1	37.1	37.1
Contingency Reserve	8.6	6.6	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Available for additional crisis work of which: OED		16.6 3.3	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Gross Expenditures 4/	966.8	1031.6	392.6	453.1	40.6	43.9
Less: Receipts 4/ 5/	98.6	99.9	27.5	34.7	27.9	34.8
Net Budget	868.2	931.7	365.0	418.4	42.0	44.9

Sources: Office of Budget and Planning; and PeopleSoft Financials (Commitment Control).

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

1/ Includes crisis budgets and FY 09 carry forward provisions.

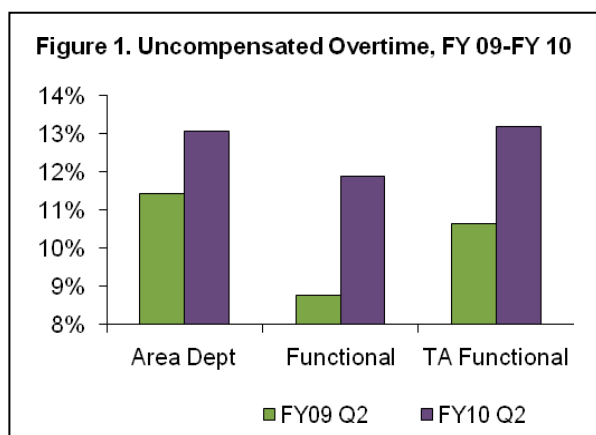
2/ Reflects the total FY 10 contribution to the RSBIA of \$37 million.

3/ Includes \$5.4 million for travel to the Annual Meetings in Turkey.

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

5/ Figures based on the central estimate for receipts.

- Staffing levels are reaching steady state targets. In particular, vacancies in managerial and other professional/economist positions have declined during the second quarter. However, some temporary positions that were created in response to the crisis are presently unfilled. This contributed to higher levels of uncompensated overtime and other work pressure indicators (Figure 1).
- Relative to the same period last year, travel volume increased by roughly 20 percent, mainly spurred by the increase in the number of program countries (Table 2).



**Table 2. Lending, FY 09–FY 10**

	FY 09 Q2	FY 10 Q2
<b>Total</b>		
Number of financial programs 1/	29	50
Amount committed (in billions)	4	169

Sources: Office of Budget and Planning; Finance dept.  
1/ GRA and PRGF-ESF.

**4. Receipts for externally funded technical assistance projects were above last year's level.**

This reflected in part the operations of the recently opened Regional Technical Assistance Center in Central America, but also stepped up technical assistance in crisis affected regions.

## B. Key Outputs

**5. The Fund Business Plan was crafted prior to the Istanbul Decisions and therefore the planned allocation did not take into account new mandates and responsibilities.** Work plans for these will evolve over the next months. The plan, however, reflects the demands of the financial crisis—increased shares of resources to country program and financial support and global monitoring, with focus on early warning systems and financial safety nets; and more coordinated and targeted technical assistance.

**6. At the end of the second quarter, departments largely delivered the key outputs as envisaged** (Table 3). However, some shifts were apparent. In sum:

- An increased share of resources was devoted to oversight of the international monetary system and multilateral surveillance. This reflected the work undertaken in connection with the Annual Meetings and emphasis on multilateral surveillance in a post-crisis world.
- The resource shares devoted to country programs and financial support were broadly on target and reflected the demands of the crisis. A slightly lower than planned share

of resources went to low income countries—in part the result of the near-completion of reforms to the LIC lending facilities. The number of LIC programs was largely unchanged.

<b>Table 3. Gross Administrative Expenditures by Key Output Area and Constituent Outputs, FY 09 and FY 10 1/</b> (In percentage shares of total gross administrative and restructuring delay expenditures, unless otherwise indicated)				
	FY 09		FY 10	
	Plan	Q2	Plan	Q2
<b>Global Monitoring</b>	<b>18.0</b>	<b>19.0</b>	<b>19.1</b>	<b>21.6</b>
Oversight of the international monetary system	5.0	4.8	5.6	8.1
Multilateral surveillance	5.0	6.6	5.6	6.6
Cross-country statistical info. & methodologies	3.5	3.4	3.8	3.3
General research	0.3	0.6	0.3	0.4
General outreach	4.2	3.6	3.8	3.2
<b>Country specific and regional monitoring</b>	<b>36.7</b>	<b>39.6</b>	<b>30.4</b>	<b>31.7</b>
Bilateral surveillance	28.5	31.1	23.5	26.0
Regional surveillance	3.4	3.4	4.0	3.1
Standards and codes & financial sector assessments	4.8	5.1	2.9	2.7
<b>Country programs and financial support</b>	<b>20.7</b>	<b>19.9</b>	<b>23.7</b>	<b>24.8</b>
Generally available facilities	8.3	8.8	12.4	15.2
Facilities specific to low-income countries	12.3	11.1	11.3	9.6
<b>Capacity Building</b>	<b>24.6</b>	<b>21.4</b>	<b>26.7</b>	<b>21.8</b>
Technical assistance	17.5	15.9	19.4	16.6
External training	7.2	5.6	7.3	5.2
<b>Total, excluding reserves</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
(in millions of US dollars)				
<i>Memorandum items:</i>				
Contingency reserve	9	n.a.	7	n.a.
Support	290	136	291	154 4/
Governance	88	40	95	40
Total gross administrative expenditures 2/	967	393	1,019	453
Restructuring expenditures for volunteers on delay 3/	72	27	n.a.	9
Total gross administrative and restructuring delay expenditures	1,039	420	n.a.	462
Source: Office of Budget and Planning.				
Note: Figures may not add to totals due to rounding.				
1/ Support and governance expenditures are allocated across outputs.				
2 / Includes contingency reserve.				
3/ The budget for restructuring delay expenditures is a three-year appropriation. Most of the costs were incurred in FY 09.				
4/ Reflects the full contribution to the RSBA.				

- Strengthened surveillance and the amplified concentration on systemic and vulnerable countries increased the share of resources in bilateral surveillance.
- Relative to last year's first half, the delivery of externally financed technical assistance picked up and departments started using the higher donor funding available. The total resource share allocated to capacity building is expected to increase during the second half of the year.

## II. CAPITAL INVESTMENTS

7. **Capital projects progressed as expected (Table 4).** Work is underway to ascertain the requirements for a longer-term investment plan for the Fund's physical assets. Pending completion—scheduled for mid-FY 11—some of the non-critical and larger facilities projects have been slowed down or put on hold. IT projects progressed as planned.

**Table 4. Capital Expenses, FY 10**  
(In millions of US dollars)

	FY 10	
	Budget	Q2
Total Expenditures	45	15
Facilities	15	2
Information Technology	30	13

Source: Office of Budget and Planning.

## III. THE RESTRUCTURING BUDGET

8. **The Executive Board approved a total of up to \$185 million in restructuring expenditures as part of the FY 09–11 MTB (EBAP/08/20, 03/21/08).** This included a provision of up to \$7.6 million for restructuring initiatives in OED. A more detailed discussion of restructuring expenditures is included in Appendix I.

9. **At the end of the second quarter, the staff restructuring budget recognized a total of \$110 million in delay and separation benefit payments (Table 5).** Of the total accepted volunteers, 409 volunteers are no longer on active duty, i.e., they have either separated from the Fund or entered into separation benefit leave status.

**Table 5. Staff Restructuring Budget Execution, FY 09–10**  
(In millions of US dollars)

	FY 09	FY 10 Q2	Total
Total	74	36	110
Delay costs	45	9	53
Separation benefits payments	28	27	55
Retooling and Outplacement	1	0	1

Source: Office of Budget and Planning.



## APPENDIX I—RESTRUCTURING COSTS

*A total of 492 voluntary separations were accepted by management as part of the restructuring and refocusing initiative. The number of volunteers was above the targeted reduction of 380 budgeted positions, but the costs are projected to fit within the approved restructuring budget: this is mainly because the average length of service and average delay period are expected to be below those assumed in the initial estimates. 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.*

### A. Original Basis <sup>1</sup>

1. **The total estimated cost of 492 separations was estimated at \$200 million, comprised of \$128 million for SBF payments and \$72 million for costs associated with the delay period.** As noted above, three adjustments were made:

- (i) some \$12 million for separation costs for departmental Directors and LWOP volunteers was charged to the administrative budget. No reductions in force were contemplated at the Director level, but using SBF resources that are generally available under the administrative budget to facilitate the separation of Directors was deemed to serve institutional needs, for example, by providing opportunities for promotion; LWOP volunteers were also charged to the administrative budget because this group was not part of the FY 08 staffing complement that was the basis for the downsizing exercise;
- (ii) the cost of \$2 million for salary delays for staff opting for the Rule of 50 was charged to the administrative budget as the restructuring budget only pertains to staff on SBF; and
- (iii) the cost of staff leave in excess of 60 days of \$5 million was charged to the administrative budget. The staff leave was earned prior to the Fund's institutional restructuring and therefore reflects costs that arise from staff's normal past service to the Fund and not the restructuring. Thus, this cost was recorded as a salary expense in the administrative budget and not as part of the restructuring budget.

2. **The total restructuring cost will be reflected in Fund accounts in up to four financial years.** In accordance with International Financial Reporting Standards (IFRS), the costs associated with the separation payments for staff, for which future services are not

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<sup>1</sup> This section restates the information contained in Annex III of the FY 2008 Administrative and Capital Expenditures (EBAP/08/89).

expected, and a provision for outplacement and retooling expenses, were recorded in FY 08 on an accrual basis. Costs associated with the delay period, during which staff will be paid salaries and will be providing services, will be charged to the financial year in which the expenditures are actually incurred, mostly in FY 09, but also in FY 10 and FY 11.

## B. Current Projections

3. **Restructuring and refocusing expenses for staff in the first half of FY 10 were \$39 million (\$36 million charged to the restructuring budget and \$3 million to the administrative budget), for a total of \$122 million (including OED) during the 18 months from May 1, 2008.** On this basis, relative to the restructuring budget available for staff, there is a gap of about \$1 million in the total cost of separations (Table I.1). Included in this projection is a provision for a relatively small number of mandatory separations that are related to outsourcing. Overall, current projections assume that the remaining gap can be closed with savings from lower retooling and outplacement costs.

<b>Table I.1 Current Restructuring Cost Projections</b> (in millions of US dollars)	
	Projected Outturn
<b>Restructuring Budget Ceiling</b>	<b>185</b>
Provision for OED	8
Available to Staff	177
<b>A. Cost of Volunteer Separations</b>	<b>186</b>
Salary	126
Benefits	57
Contribution to the Staff Retirement Plan (SRP)	23
Tax Allowance (U.S. Nationals)	19
Medical Benefits Plan	6
Home Leave	5
Spouse and Child Allowance and Group Life	1
Education Allowance	2
Outplacement and Other Services	2
Retooling and Retraining	0
<b>B. Cost of outsourcing</b>	<b>9</b>
<b>C. Total Costs (A + B)</b>	<b>195</b>
<b>D. Charged to the administrative budget</b>	<b>16</b>
Salary	9
Benefits	3
Contribution to the Staff Retirement Plan (SRP)	2
Tax Allowance (U.S. Nationals)	1
Excess Annual leave	4
<b>E. Assumed savings, e.g., lower retooling and outplacement costs.</b>	<b>1</b>
<b>F. Net Costs (C - D - E)</b>	<b>177</b>
Source: Office of Budget and Planning.	
Note: Figures may not add to totals due to rounding.	