

**FOR
AGENDA**

EBAP/10/26
Supplement 3

April 9, 2010

To: Members of the Executive Board

From: The Acting Secretary

Subject: **The Fund Business Plan**

The attached Fund business plan is being issued as a supplement to the paper on the proposed FY2011–FY2013 medium-term budget (EBAP/10/26, 3/29/10), which is tentatively scheduled for discussion on **Monday, April 19, 2010**.

Questions may be referred to Mr. Trines (ext. 35639) and Mr. Ronci (ext. 38549) in OBP.

The staff does not propose publication of this supplement after the Executive Board completes its discussion.

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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INTERNATIONAL MONETARY FUND

The Fund Business Plan: FY2011–FY2013

Prepared by the Staff

Approved by Daniel Citrin

April 9, 2010

As the global economy slowly recovers, the Fund's activities are gradually shifting away from the response to the financial crisis to focus more on strategies to exit from the policies countries implemented during the crisis in a way that is credible, orderly, and cooperative, as well as helping to lay the foundation for a resilient global financial and monetary architecture.

As the Fund moves forward to deliver on decisions made at last year's Annual Meetings in Istanbul, the structure of Fund's output is expected to change over the medium term to meet better the needs of member countries. At the same time, innovative and cost-effective solutions to support Fund operations are being developed.

Departmental businesses plans were developed consistent with the Fund's changing priorities, setting out their key objectives and how they will be achieved. These plans can be found on department websites, or via a link on OBP's website.

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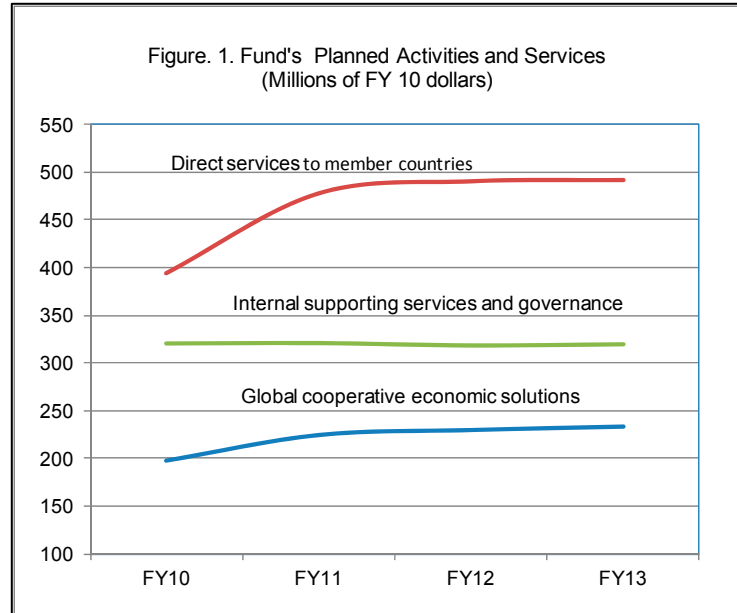
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I. ADAPTING GOALS TO A POST-CRISIS WORLD

1. **The FY 11–13 business plan reflects the Fund’s priorities resulting from the decisions taken at last year’s Annual Meetings in Istanbul.** The planned activities and services in FY 11–13 will be delivered on a broadly unchanged internal resource envelope compared with the FY 10–12 medium-term budget. Except for a substantial increase in capacity building services, financed by donors, the Fund’s total services to member countries remain broadly unchanged in real terms (Figure 1). However, there are changes in the composition of outputs resulting from the new priorities that have evolved over the past year. The cost of introducing new initiatives will be partly offset by streamlining processes and enhancing productivity. During this period, the overall workload is expected to remain heavy.



2. **As the global economy recovers, the Fund is gradually shifting away from an urgent response to the financial crisis to focus on long-term strategies and reforms and capacity building as outlined in the Managing Director’s statements on the Fund’s Work Program (BUFF/09/168).** Table 1 shows the Fund’s work program with its main activities and services classified according to the Fund’s new output classification scheme.¹ **Global cooperative solutions** include initiatives to improve global policy dialogue, prevent and resolve systemic crisis, and strengthen oversight of the global economic and financial systems. **Direct member services** include advising member countries on economic policies and risks, providing financial assistance where needed, conducting financial sector evaluations and providing technical assistance and training. **Institutional services** include Fund-wide support services and governance.

¹ To represent more accurately the wide range of Fund’s services and activities, a new output structure based on Responsibility Areas (RAs) has been introduced. See Appendix VI of “The FY 11–13 Medium-Term Budget” (EBAP/10/26) for additional information on the change to RAs and how activities previously classified as Key Output Areas (KOAs) are reflected in the new RA structure.

Table 1. FY 11 Work Plan	
Responsibility Areas	Activities and Services
Global Cooperative Solutions	
Lead global economic policy dialogue	<p>Implementing exit strategies:</p> <ul style="list-style-type: none"> Proposing tax policies, fiscal consolidation and spending policies in member countries. Updating of the Early Warning Exercise. Unwinding Crisis-Related Intervention Measures. <p>Reshaping the policy framework; institutions and strengthening resilience to shocks:</p> <ul style="list-style-type: none"> Building a more robust financial architecture Proposing fiscal rules to anchor expectations for sustainable public finances. Improving government finance statistics to strengthen fiscal analysis in the wake of the crisis.
Strengthen oversight of global and financial systems	<p>Strengthening the international monetary system:</p> <ul style="list-style-type: none"> Re-examining the Fund's post-crisis role and mandate. <p>Enhancing Surveillance:</p> <ul style="list-style-type: none"> Reviewing the Fund's transparency policy. Assisting in the G-20 Mutual Assessment Process. Continuing thematic surveillance with two new topics: policies of countries with large financial sectors relative to the size of their economies; and how emerging markets have coped with the crisis.
Direct Member Services	
Advise member countries on economic policies	<ul style="list-style-type: none"> Increasing significantly the traction of surveillance on systemic members Assisting in the implementation of the G20's Framework for Strong, Sustainable, and Balanced Growth.
Support countries' economic adjustments	<p>Handling effectively crisis-hit countries and supporting LICs:</p> <ul style="list-style-type: none"> Continuing implementing Fund's new lending framework. Developing exit strategies to safeguard fiscal sustainability and financial stability. Continuing to respond to the needs of its most vulnerable members.
Provide capacity building	<ul style="list-style-type: none"> Assisting member countries in strengthening policy frameworks and institutions with a medium-term orientation to TA while integrating it into operational work. Expanding substantially the externally-funded TA and training program. Strengthening technical assistance departments' project management and backstopping capacities to allow absorption of external funding.
Institutional Services	
Governance	<p>Enhancing legitimacy and effectiveness of the Fund:</p> <ul style="list-style-type: none"> Completing the Fourteenth General Review of Quotas. Discussing Board paper on proposed governance reforms and reporting to the IMFC.

3. **Departmental business plans in FY 10 focused to a large extent on managing the crisis** (Table 2). As the Fund responded to the financial crisis, demands continued to be met through redeployment, uncompensated overtime, and the contribution of volunteers whose departures were delayed. As a result, the shares of global cooperative economic solutions and direct member services (including support for countries' economic adjustments and capacity building services to crisis countries) were higher than planned, while that of institutional services was lower.

Table 2. Gross Administrative Expenditures by Responsibility Areas, FY 10 1/
(Percent of total)

	Budget FY 10	Projected Outturn FY 10 1/
Global cooperative economic solutions	21.7	22.8
Lead global economic policy dialogue	12.9	11.8
Strengthen oversight of global and financial systems	8.9	11.0
Direct Member Services	43.1	46.7
Advise member countries on economic policies	14.8	16.0
Support countries' economic adjustments	12.5	14.3
Provide capacity building	15.9	16.4
Institutional Services	35.1	30.5
Governance 2/	9.9	9.0
General Fund-wide Support	25.2	21.5
Total	100.0	100.0

Source: Office of Budget and Planning.

1/ Compiled from individual departments' business plans.

2/ Includes expenses with Board of Governors, IMFC, Executive Board as well as Reform of IMF processes and procedures.

II. CHANGING OUTPUT TO MEET COUNTRY MEMBER NEEDS

4. **The FY 11 resource envelopes for all departments were built on the previously approved FY 10–12 MTB, and the Fund remains on target to deliver the \$100 million in annual budgetary savings by FY 11.**² The amount of resources available to carry out the Fund's business plan includes the temporary budget allocation from the FY 10 carry forward (in FY 11) and donor financing, in particular in the areas of technical assistance and training.

5. **The Fund's activities will focus on global cooperative solutions to work out effective exit strategies from stimulus policies, strengthening oversight of economic and financial systems, and reforming the global financial architecture.** Concurrently, the Fund will continue to provide direct services to member countries through assistance and policy advice to countries affected by the crisis, and increase substantially technical assistance for capacity building, including in less developed member countries, financed by external resources (Table 3). In doing so, the Fund will strengthen its engagement with member countries and increase outreach activities.

² Measured in real terms relative to the FY 08–10 MTB ("The FY 2010–FY 2012 Medium-Term Administrative, Restructuring, and Capital Budgets," EBAP/09/51, 03/26/09).

Table 3. Activities and Services by Responsibility Areas (Percent of total)				
	Projected Outturn	Planned		
	FY 10 1/	FY 11	FY 12	FY 13
Global cooperative economic solutions	22.8	21.3	20.8	20.3
Lead the Global Economic Policy Dialogue	11.8	13.4	13.1	12.8
Strengthen Oversight of the Global Economic and Financial Systems	11.0	7.9	7.7	7.5
Direct Member Services	46.7	47.1	48.0	48.3
Advise Member Countries on Economic Policies	16.0	15.0	14.8	14.8
Support Countries' Economic Policy Adjustments	14.3	13.9	13.1	12.4
Provide Capacity Building	16.4	18.2	20.2	21.0
Institutional Services	30.5	31.7	31.2	31.4
Governance 2/	9.0	9.1	9.1	9.3
Support	21.5	22.6	22.1	22.1
Total expenditures	100.0	100.0	100.0	100.0

Source: Office of Budget and Planning.

1/ Compiled from individual departments' business plans.

2/ Includes expenses with Board of Governors, IMFC, Executive Board as well as Reform of IMF processes and procedures.

6. **The composition of services provided to member countries (excluding capacity building) is also expected to change over the medium term (Table 4).** As the global economy emerges from the crisis, Fund programs will be phased out gradually reducing the share of Fund support to countries' economic policy adjustments. Offsetting this decline will be an increase in the areas of global cooperative solutions output, including global policy dialogue and oversight of economic and financial systems (Table 4).

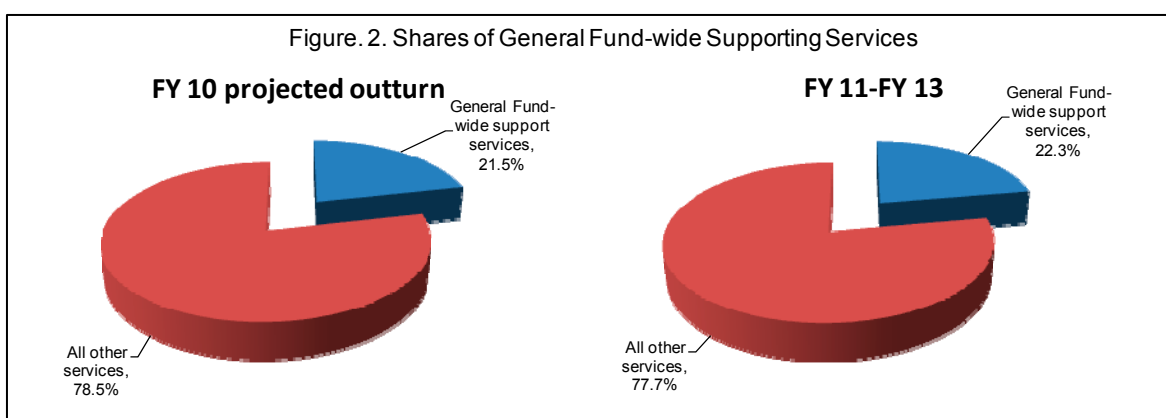
Table 4. Shares of Services Provided to Member Countries 1/ (Percent of total)				
	Projected Outturn	FY11 Budget	FY12 Budget	FY13 Budget
	FY 10 2/			
Global cooperative economic solutions	43.0	43.4	43.7	43.5
Lead the Global Economic Policy Dialogue	22.2	27.3	27.6	27.3
Strengthen Oversight of the Global Economic and Financial Systems	20.8	16.1	16.1	16.2
Direct Member Services	57.0	56.6	56.3	56.5
Advise member countries on econ policies	30.1	29.7	30.3	31.2
Support countries' economic policy adjustments	26.9	26.9	26.0	25.3
Total	100.0	100.0	100.0	100.0

Source: Office of Budget and Planning.

1/ Excludes Capacity Building and internal support services.

2/ Compiled from individual departments' business plans.

7. **Improved efficiency in delivering services is also reflected in a relative reduction of general Fund-wide supporting services, freeing resources for improving governance and providing services to member countries.** Streamlining processes (e.g., the review process, streamlining of production of Board documents, smaller missions in some cases) and phasing out of some services is estimated to save about \$11 million cumulative over FY 11–13 that will finance part of the new planned initiatives. At the same time, cost-effective solutions for general Fund-wide supporting services are being developed such as off-shoring and vendorizing, as well as contract rebids, to contain the share of such services in total net administrative expenditure (Figure 2). New initiatives include improving analytical capabilities, further expanding multilateral surveillance and enhancing data and information dissemination, and increased outreach.



III. DEPARTMENTAL BUSINESS PLANS AND OUTPUTS

8. **Department business plans are being adapted to meet the needs of the Fund's membership.** Most of the initiatives regarding the global economic policy dialogue and strengthening oversight of global economic and financial systems are expected to be delivered in the early part of the planning period. The main themes and departmental activities in these areas are summarized below. Table 5 aggregates planned spending.

Lead global economic policy dialogue:

- SPR will advance the work on the Fund's mandate with a chapeau paper (with LEG), and a review of the Fund's mandate over surveillance, lending, and the international monetary system; and follow-up work (with MCM, FIN, and RES)
- FAD will formulate exit strategies from crisis-related policies and post-crisis fiscal consolidation.
- RES, MCM, and FAD will work on unwinding crisis-related intervention measures.

- RES will carry out research projects to lead global economic policy dialogue, including design of a post-crisis framework for macroeconomic policies.
- SPR will enhance emerging markets and low-income country analysis, including by looking at outward spillovers for systemically importance cases and vulnerability assessments.
- EXR will continue to work with other Fund departments to ensure that the Fund's key policy messages are delivered effectively to external stakeholders.

Strengthen oversight of the global economic and financial systems:

- RES's World Economic Outlook (WEO) will continue to be the main medium to convey oversight of global economic systems.
- MCM's Global Financial Stability Report (GFSR) will continue to be the main medium to convey financial multilateral surveillance efforts.
- SPR, RES, FAD, and MCM will update the Early Warning Exercise (EWE).
- RES will take the lead in the G-20 Mutual Assessment Process with assistance from MCM, SPR, and area departments.
- FAD's monitoring of fiscal vulnerabilities and risks at cross-country level will remain a key area and will be disseminated in the Cross-Country Fiscal Monitor.
- LEG and MCM will work on a framework for the resolution of cross-border bank insolvencies.
- SPR will further develop the toolkit for LICs, including by strengthening the Fund's insurance role for LICs and developing a framework for supporting LICs affected by conflict and domestic instability.
- FIN will lead the work on the 14th quota review and will also conduct a review of the SDR basket valuation.
- STA will intensify work to develop and carry out a plan to address information gaps.

Advise member countries on economic policies:

- Area departments will continue strengthening regional and bilateral surveillance focusing on systemically important countries, help to assess the exit strategies from the crisis-related intervention measures, and help less developed countries reach their development goals.

- FAD's surveillance related analytical work and fiscal policy advice will focus on vulnerable and regionally systemic countries, and gradually change from crisis management to fiscal consolidation and structural reforms.
- LEG will continue to exercise primary responsibility for implementation of the Fund's AML/CFT program, including work on strengthening its role in supporting surveillance and capacity building and provide policy advice on household and corporate debt restructuring to countries affected by the crisis.
- MCM's bilateral surveillance activities will refocus to some extent from non-systemic to systemically important countries.
- STA will continue to focus on the data module of the Reports on the Observance of Standards and Codes (ROSC) on G-20 economies and other emerging and systemically important countries.
- SPR will provide cross-country perspectives on outward spillovers, vulnerabilities, exchange rates, and macro-financial linkages to country teams through analytical notes and mission participation in systemically important cases.

Support countries' economic policy adjustments:

- Fund support to countries' economic policy adjustments will continue to account for a large share of area departments resources, supported by FAD, MCM, and SPR economists.
- Resident representatives will be assigned to many program countries.
- Area departments will maintain and strengthen support to vulnerable member countries with policy advice and financing as well as engaging with donors.
- FIN will support the conclusion of additional bilateral borrowing and note purchase agreements and the reform and expansion of the New Arrangements to Borrow (NAB).
- FIN will mobilize additional loan and subsidy resources to support LICs facilities consistent with the financing package approved by the Board.

Capacity building:

- With an expansion of externally-funded TA program, technical assistance departments will continue to assist member countries in strengthening policy frameworks and institutions with a medium-term orientation to TA. Strengthening considerably project management and backstopping capacities will be a key priority.

- The expansion will be mostly focused on the provision of direct technical assistance including opening of new technical assistance centers in Africa and Central Asia. As well as establishment of topical trust funds.
- Area departments will strengthen their role in setting the technical assistance agenda.
- The IMF Institute's training program for government officials is also set to expand with the support of external funding. The expansion is focused on training in macroeconomics and finance.

Governance:

- SPR and LEG will continue work on IMF governance reforms.
- SPR will translate the Fund's strategic priorities into the work program (with SEC).

Table 5. Gross Administrative Expenditures by Responsibility Areas

	Planned		
	FY 11	FY 12	FY 13
	(Millions of U.S. dollars)		
Global cooperative economic solutions	225	230	233
Lead the Global Economic Policy Dialogue	141	145	147
Global Economic Analysis	49	51	53
Cooperative Economic Policy Solutions	20	21	21
Tools to prevent and resolve systemic crises	45	46	48
Regional approaches to economic stability	28	28	25
Strengthen Oversight of the Global Economic and Financial Systems	83	85	87
Development of the international financial architecture	13	14	14
Data Transparency	26	27	29
The role of the Fund in the International Monetary System	44	44	44
Direct Member Services	497	531	555
Advise Member Countries on Economic Policies	158	163	170
Assessment of Economic Policies and Risks	138	142	149
Financial Soundness Evaluations	12	12	12
Standards and Codes Evaluations	9	9	10
Support Countries' Economic Policy Adjustments	147	144	143
Arrangements supported by Fund Resources	144	142	140
Arrangements not supported by Fund Resources	2	3	3
Provide Capacity Building	192	223	241
Technical Assistance	143	171	186
Training	49	53	55
Institutional Services	334	345	361
Governance	96	100	107
General Fund-wise Support	238	244	254
Total expenditures	1,056	1,105	1,149
	(Percent share of total gross expenditures)		
Global cooperative economic solutions	21.3	20.8	20.3
Lead the Global Economic Policy Dialogue	13.4	13.1	12.8
Global Economic Analysis	4.6	4.6	4.6
Cooperative Economic Policy Solutions	1.9	1.9	1.8
Tools to prevent and resolve systemic crises	4.2	4.1	4.2
Regional approaches to economic stability	2.6	2.5	2.2
Strengthen Oversight of the Global Economic and Financial Systems	7.9	7.7	7.5
Development of the international financial architecture	1.3	1.2	1.2
Data Transparency	2.5	2.5	2.5
The role of the Fund in the International Monetary System	4.1	4.0	3.8
Direct Member Services	47.1	48.0	48.3
Advise Member Countries on Economic Policies	15.0	14.8	14.8
Assessment of Economic Policies and Risks	13.0	12.9	13.0
Financial Soundness Evaluations	1.1	1.1	1.0
Standards and Codes Evaluations	0.8	0.8	0.8
Support Countries' Economic Policy Adjustments	13.9	13.1	12.4
Arrangements supported by Fund Resources	13.7	12.8	12.2
Arrangements not supported by Fund Resources	0.2	0.3	0.3
Provide Capacity Building	18.2	20.2	21.0
Technical Assistance	13.5	15.4	16.2
Training	4.6	4.8	4.8
Institutional Services	31.7	31.2	31.4
Governance	9.1	9.1	9.3
Support	22.6	22.1	22.1
Total expenditures	100.0	100.0	100.0

Source: Office of Budget and Planning.