

**LAPSE OF
TIME**

EB/CAM/20/3

February 27, 2020

To: Members of the Committee on Executive Board Administrative Matters

From: Gilles Bauche, Committee Secretary

Subject: **OED Budget Framework—Proposed Streamlining of OED Central Budget Accounts**

Committee Action: Committee Members' **consideration** on a lapse of time basis

Deadline to Request a
Committee Meeting,
after which Proposed
Recommendation
Deemed Approved:

**Thursday March 5, 2020
12:00 (noon)**

Proposed
Recommendation:

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Questions:

Mr. Bauche, SEC (ext. 36764)
Ms. Michaels, SEC (ext. 35451)
Ms. Llames, SEC (ext. 34524)
Ms. Ulmschneider, OBP (ext. 34718)

Additional Distribution:

Members of the Executive Board



February 27, 2020

OED BUDGET FRAMEWORK—PROPOSED STREAMLINING OF OED CENTRAL BUDGET ACCOUNTS

I. OVERVIEW

1. **On February 14, 2020, the Committee on Executive Board Administrative Matters (CAM) discussed ways that the OED budget framework could be streamlined to make it easier to understand and administer.** The sense of the discussion was that:
 - **Over time, the OED budget framework has become increasingly complex.** In line with broader institutional efforts to improve efficiency, it would be desirable to simplify the administration of the OED budget and improve clarity.
 - **The rules governing the allocation of budget resources to the individual Offices of Executive Director (OEDs), and their ability to accumulate carryforward reserves, should not change.** There is scope, however, to streamline the operation of the OED central budget.
 - **Specifically, the financing of several mechanisms for providing supplemental financing to OEDs could be consolidated into a single, annually appropriated central contingency reserve.** This change would both simplify the administration of these resources, and provide greater stability for mechanisms that are currently financed as “temporary” facilities through the OED central carryforward.
 - **Offices would continue to be able to access supplemental resources for the purposes, and in line with the access criteria, previously agreed by the CAM and the Executive Board.** In line with broader institutional efforts to support member countries facing the greatest challenges, **Fragile and Conflict-Affected States could be included alongside approved Fund programs and non-financial arrangements** as eligible countries for which OEDs may seek supplemental financing for temporary additional workload.
 - **To meet these goals, the central contingency reserve should be set at a level sufficient to meet the anticipated needs of the Offices,** taking into account both possible future needs and the past pattern of usage of supplemental resources.

- **Further simplification could also be achieved by moving to automatic approval of supplemental financing requests that are validated by the staff as fully meeting the eligibility criteria approved by the Executive Board.** This could include both the supplemental resources for temporary workload arising from programs (and, if approved, representation of FCS countries). Similarly, access to resources for travel in the interest of the Fund could become fully automatic.

2. **This paper presents a detailed proposal for achieving these objectives.** The measures described above would remove all current supplemental financing mechanisms from the OED central carryforward; this reserve would no longer serve a defined purpose. Similarly, no allocation methodology has been agreed for the unallocated structural surplus that has accumulated in the OED budget. Both the central carryforward and structural surplus are currently operating as passive buffers in the OED budget. It is further proposed that these balances could be made available to the Fund's general budget.

3. **A proposed recommendation to the Executive Board is presented on page 17.** For clarity, Appendix 1 shows all proposed changes to the existing OED budget framework as redlined mark-up to the decision adopted the Executive Board as EBAM/16/1 in January 2016.

II. STRUCTURE OF THE OED BUDGET

4. **The OED budget was established in FY2009 as a defined envelope within the larger Fund administrative budget.** The Executive Board has adopted rules for allocating budget resources to the individual Offices of Executive Directors (OED) to cover their operational needs (personnel, business travel, and other minor discretionary expenses). The framework also provides for collective expenditures of the OEDs (such as the costs of the OED financial disclosure program, OED visa services, costs of printer paper and toner, and other sundry costs); these resources are held separately "at the center" of the OED budget and are administered by SEC on behalf of all OEDs. The framework also encourages OEDs to manage their resources prudently over time by allowing the individual OEDs to "carry forward" unused budget resources up to a maximum limit; if Offices underspend above this limit, the "excess" saving is held in an OED central carryforward account.¹

¹ Individual Offices of Executive Director may accumulate Office "carryforward" balances up to either 20 percent of their approved annual budgets, or the dollar equivalent of two full-time equivalent (FTE) Advisor positions (in FY2020, \$489,600), whichever is greater. The latter formulation recognizes that the budget framework also permits OEDs to employ up to two additional personnel above the budgeted number of positions, provided the Office can demonstrate it can fully finance those additional positions, including through deployment of office carryforward. The combined total of all individual Office carryforwards and the central carryforward cannot exceed 20 percent of the total approved OED budget.

5. **The rules governing the allocation of budget resources to the individual Offices of Executive Directors (OED) have been reviewed on several occasions.** The “staffing norms” which determine the allocation of personnel budgets to the OEDs were revised in 2011, and the methodology for allocating travel budgets was reviewed in 2012. While the OED budget framework provides an agreed basis for resource allocation largely based on the number of member countries in each constituency group, the CAM and the Executive Board have recognized that the operational needs of individual Offices may vary. Additional mechanisms (shown in Table 1 below) have been created in the OED budget to enable OEDs to access supplemental financing to support additional personnel (reviewed between 2014 – 2016) and travel, if need arises. Some of these mechanisms are handled as defined appropriations within the OED structural budget, i.e., they are envisaged as permanent elements of the OED budget, while others are financed as “earmarks” within the OED central carryforward. This difference in financing treatment creates an added layer of complexity.

III. PROPOSED SIMPLIFICATIONS OF THE OED BUDGET FRAMEWORK

A. Consolidate Financing of Temporary Supplemental Financing Needs in a Rebuilt Central Contingency Reserve

6. **The OED central contingency reserve (CCR) could operate as a single source of financing for temporary supplemental OED budget needs.** The OED structural budget currently includes a contingency reserve (in FY2020, this line was set at \$0.525 million); The Executive Board has agreed that OEDs may access these resources only if they do not have sufficient individual Office resources available to finance the costs of temporary employment of additional personnel to cover “exceptional” absences of a regular member of the Office.² In addition to this purpose, the rebuilt CCR could also serve as the source of financing for three supplemental financing mechanisms currently handled as earmarks in the central carryforward: (i) Temporary financing for program-related workload, (ii) “Smoothing” between the staffing norms, and (iii) Travel in the Interest of the Fund.

7. **This change would have no impact on the agreed criteria for eligibility for these mechanisms,** which would continue to apply (with the possible additional modifications to financing for program-related workload discussed below). However, instead of being handled as individual—and implicitly “temporary” sub-lines within the OED central carryforward—they would be consolidated under a structural “umbrella” and treated as permanent features of the

² Absences due to emergency leave, parental leave, or extended sick leave qualify as “exceptional reasons”, but planned absences (home leave or annual leave) do not.

OED budget. Going forward, this revision would permit the CAM to consider the appropriate level of financing for supplemental needs as a single element of the OED budget, rather than as multiple small appropriations or earmarks.

Table 1. Current Supplemental Financing Mechanisms for OEDs

Mechanism	FY2020 Allocation	Approved Purpose/Access Criteria
<i>Financed within OED Structural Budget Envelope</i>		
OED Collective Expenses	\$0.65 million	Resources appropriated each year to cover certain collective expenses of the 24 OEDs, such as printer/toner costs, publications, sundries, the costs of the Board financial disclosure program, immigration/visa services, and sundries. No change is proposed to these budget lines.
OED Central Contingency Reserve	\$0.525 million	Initially established to provide a general buffer against unspecified unforeseen contingencies. Revised in 2016 to allow access only in cases where OEDs need to backfill temporary vacancies arising from cases of exceptional extended absences (medical or parental leave) and cannot self-finance through Office savings. This reserve may also be used, if needed, to finance temporarily any new structural personnel costs arising from changes in constituency composition at the time of the regular election of EDs (e.g. when Nauru joined OEDAP in 2016).
Central Travel Account to Finance Travel with Management	\$0.2 million	OEDs may charge to a central account the costs of mission travel undertaken for the sole purpose of accompanying Management on trips which have not already been taken into account in calculating the Office's annual travel budget allocation. Automatic approval, subject to approved guidelines (only one traveler per office may use this mechanism).
<i>Financed from Resources Earmarked in OED Central Carryforward</i>		
Exceptional Temporary Workload Pressures (relating to approved programs/NFAs)	\$1.25 million	Offices representing member countries who have approved programs/approved non-financial arrangements with the Fund may request supplemental resources to finance additional personnel on a temporary basis. Strict criteria apply: the OED must meet a 2:1 ratio requirement for the number of budgeted professional-level personnel to programs/NFAs; financing limited to 1FTE, Office must offer diversified financed (internal savings, external financing) for part of the cost of the additional position. Access to these resources must be fully refunded to OED center before an OED can carryforward any unspent resources to the next financial year.
Additional Resources for Offices Representing Additional Countries Above A Staffing Norm Threshold (Smoothing)	\$0.14 million	OEDs representing additional countries above a staffing norm threshold may request an additional allocation of \$35,000 for each country above the norm threshold, provided that the Office has less available carryforward than the amount which could be requested under the smoothing formula. Automatic approval on submission of request. Access to these resources must be fully refunded to OED center before an OED can carry forward any unspent resources to the next financial year.
Travel in the Interest of the Fund	\$0.25 million	OEDs can receive, on request, a supplemental budget allocation equivalent to up to 20 percent of their approved annual travel in each financial year to finance additional needs. Automatic approval of requests up to this level, with disclosure to all OEDs of the requests. Offices who face additional travel costs due to regional surveillance travel may request additional resources up to \$40,000 <i>above</i> the 20 percent limit, subject to CAM and Executive Board approval. TIF resources are transferred to OEDs only when they have exhausted their travel budgets to within the last \$10,000.
Direct Travel Allocation	\$0.25 million	Each OED receives a flat allocation of \$10,417 each year, loaded into their travel budget. This reflects an agreement to reallocate a separate "travel contingency" directly to the OEDs in equal shares, rather than hold at the center.

B. Right-Sizing the OED Central Contingency Reserve

8. **It is proposed to rebuild the OED Central Contingency Reserve from \$0.525 million in FY2020 to \$1.25 million in FY2021.** The CCR would automatically be adjusted annually by the global external deflator; moreover, if necessary, the CAM could consider the appropriate size of the CCR in the context of its annual deliberations on the size and design of the OED budget envelope for each new financial year. The proposed level of the CCR is deemed sufficient to meet future needs in light of the limited demand for the three supplemental financing mechanisms that would be brought within it (see Table 2).

Table 2. Utilization of Supplemental Financing Mechanisms Financed from OED Central Carry Forward (FY2017-FY2020)
(in thousands of U.S. dollars)

Source of Financing	Supplemental Financing Mechanism	FY2020 Budgeted Allocation	Pattern of Actual Utilization			
			FY2017	FY2018	FY2019	FY2020 (estimate)
Structural Budget	OED Central Contingency Reserve					
	(Temporary staffing in case of exceptional absences of regular personnel)	525	0	0	0	0
	Travel with Management	200	100	163	43	83
OED Central Carry Forward	Supplemental Resources for Temporary Workload Arising from Programs/NFAs	1,250	641	0	0	0 1/
	Smoothing Between Staffing Norms	0 2/	315	280	228	140
	Travel in the Interest of the Fund	250	36	27	24	34
TOTAL DRAWDOWN			1,092	470	295	257

1/ OEDNE requested for supplemental resources for exceptional, temporary workload on a precautionary basis (see "Offices of Executive Directors--FY2020 Request for Supplemental Resources for Exceptional, Temporary Workload Pressures" EBAP/20/16, 02/19/20.)

2/ No defined annual appropriation. Specific allocation is set each financial year according to the number of eligible Offices representing countries above the staffing threshold (currently set at 2, 6, 10, 13, 16, 19, and 22 member countries). Under the smoothing mechanism an OED that represents a number of member countries between these threshold levels may access \$35,000 for each country above the threshold number, provided it has less available office carryforward than the amount it would receive under this mechanism. To date, the OED budget has not defined a fixed amount of smoothing resources to be set side each year. Access to these resources is an entitlement, but eligibility is linked to Office carryforward balances which may alter over time. Most OEDs are continuing to build up their individual OED carryforward balances over time, and as a result the number of OEDs qualifying for "smoothing" resources has steadily declined. This pattern is expected to continue going forward.

Implications of Andorra's Membership Application

9. **Setting the OED central contingency reserve to \$1.25 million in FY2021 is also deemed adequate to finance the estimated impacts of Andorra's anticipated entry into Fund membership.** The government of Andorra has requested the Belgium-Netherlands chair look after its interests informally during its application for Fund membership. While Andorra is completing its journey to full membership, this arrangement remains informal and triggers no changes in the OED structural budget. If, on completing this process, this country were to join that constituency, the group would increase from 15 to 16 members. As a 16 member constituency, it would automatically qualify for an increase in staffing budget resources (one additional Senior Advisor and one additional Advisor position; this situation also arose in 2016 when Nauru joined the Asia-Pacific constituency).

10. **The OED budget framework provides that changes in the composition of constituency during a financial year shall be financed from the OED central contingency reserve.**³ The FY2020 full-year standard personnel cost of an additional Senior Advisor and Advisor position is \$564,200. Given that Andorra's application for membership is at a very early stage, it is not anticipated the full level of these costs would be incurred in FY2021. If Andorra were able to complete the membership approval process in time to participate in the 2020 regular election of Executive Directors later this year, and formally join the OEDNE constituency on November 1 (the exact mid-year point of FY2021), the additional budgetary cost in FY2021 would be one half of this amount or \$282,100. The financing of the staffing norms is an institutional obligation.⁴ In future years after the initial transition, the cost of the increase in the number of budgeted OED positions under the staffing norms will be met as a structural cost.

³ Such changes occur formally only in the context of the regular elections of Executive Directors (held every two years), when member countries group themselves into constituencies through the mechanism of casting a vote for an Executive Director to represent them on the Executive Board. A member country that is unable to participate in the election for any reason may designate an Executive Director to represent it informally at the Executive Board until such time as it can participate fully in an election. In these cases, the Executive Director may speak on behalf of that country but is not able to cast its votes in any Executive Board decision-making. If Andorra has not entered full Fund membership by the time of the 2020 regular election of Executive Directors (which will be conducted in September-October 2020), it may request an Executive Director to represent it informally pending the next election of Executive Directors in 2022. The OED budget framework provides that that the staffing budget norms for each OED shall be adjusted, based on the constituency whose members have elected the Executive Director or designated the Executive Director to represent their interests.

⁴ The Executive Board most recently confirmed this obligation following the 2018 Regular Election of Executive Directors. See *Offices of Executive Directors—FY2020 Budget Envelope—Proposed Formulation to Reflect New Constituency Arrangements*, EBAP/19/21 (3/1/19).

C. Financing the Increase in Resources for the OED Central Contingency Reserve

11. **The increased allocation to the OED Central Contingency Reserve could be financed through a partial redeployment of resources (\$0.725 million) held as an unallocated surplus in the OED structural budget.** In FY2020, the total OED structural surplus is \$3.36 million. This reserve is effectively a “passive buffer” in the OED budget, arising largely as a result of the difference that has arisen over the past decade between the nominal rise in OED structural personnel costs (which reflect the application of a Fund-wide global external deflator indexed to labor markets) and the actual rise in REG1 personnel costs (the salary adjustments of Executive Directors, Alternate Executive Directors and Senior Advisors to Executive Director), which have generally been adjusted by a lower regional CPI index.⁵ Going forward, the nominal deflator will be a CPI index, which is anticipated to be more closely aligned with the rise in OED personnel costs.⁶

Other Minor Adjustments: Direct Travel Allocation and OED Collective Expenses

12. **Similarly, the Direct Travel Allocation, which is currently handled as an annual nominal allocation of \$0.25 million per year in the OED central carryforward, could be financed within the OED structural budget.** This treatment would more appropriately reflect the historical nature of this line as a travel contingency reserve within the OED travel budget envelope (in FY2015 the Board agreed that this contingency would be more usefully allocated directly to the 24 OEDs in equal shares than held at the center). This allocation continues to provide a useful supplement, especially to single country constituencies for whom the Direct Travel Allocation represents a proportionately larger travel supplement. This budget line is fully allocated to the OEDs every year, and appears to be an accepted permanent feature of the OED budget framework; it should be financed accordingly as a structural element of the OED budget, through a redeployment of \$0.25 million from the unallocated structural surplus in FY2021. Going forward, it is proposed that for consistency of treatment within the budget, the allocations for Direct Travel and Travel with Management will be adjusted annually by the global external deflator.

13. **No change is proposed to the allocations for OED collective expenses, which is currently financed within the OED structural budget envelope and will continue to be adjusted annually by the deflator.** Historically these expense lines have been largely utilized in each financial year, with little underrun. Staff consider there would be scope, however, to absorb the costs of the Executive Board’s share of the annual Board retreat (usually between \$75,000–

⁵ Under the Fund’s By-Laws, Section 14(e)(i), the Board of Governors determines adjustments to salaries and employment benefits of Executive Directors and Alternate Executive Directors.

⁶ See *Preliminary Proposals for the FY2021-23 Medium-Term Budget*, FO/DIS/20/27(2/14/20).

\$95,000) within these collective expenses rather than handling them as a separate appropriation from the OED carryforward. Doing so permits both a fuller utilization of these structural appropriations, and also facilitates administrative streamlining, as the CAM Chair is already authorized to approve amounts up to \$50,000 from collective expenses without the need for further CAM approval. The utilization of OED collective expense accounts will continue to be reported to the Executive Board in the annual financial year outturn.

IV. PROPOSED SIMPLIFICATION THROUGH AUTOMATIC APPROVAL

14. It is proposed to further simplify the administration of the OED budget framework by streamlining decision-making processes for supplemental financing mechanisms for which clearly defined access criteria and/or thresholds apply:

(i) Current rules envisage that Offices which request supplemental financing for temporary workload arising from programs/NFAs must formally submit a request for resources to the CAM for its approval. In practice, these requests are thoroughly vetted by the staff in advance of submission of the request and requests do not move forward to the CAM unless the access criteria are fully met. Given the well-defined access criteria, and close staff scrutiny, it is proposed to discontinue the requirement for the CAM's approval of requests for these resources which in staff's view fully meet the access criteria. All requests for such resources would continue to be reported to the Executive Board in the financial year outturn report.

(ii) It would make sense also for these resources to be provided for one full financial year. Current rules provide that CAM would consider whether an Office receiving these resources should refund part of this financing if it falls below the workload ratio requirement *during* a financial year. This requirement has never been invoked, and could not be implemented without significant disruption to the Office's operations. Given the difficulty and administrative complexity of implementing this rule, it is proposed to remove it. Staff shall reassess and confirm the Office's eligibility status before processing any requests for financing in subsequent years. Any available carryforward shall first be refunded to central contingency reserve to refund the previous year's access to these resources.

(iii) The rules governing access to resources for Travel in the Interest of the Fund (TIF) define a threshold for access to these resources (20 percent of an OED's approved Office travel budget allocation for each year); requests within this limit are already deemed to be automatically approved. A double layer of approvals (CAM and the Executive Board) remains, however, for Offices requesting additional access to the TIF to support regional surveillance. Such access is clearly capped \$40,000 above the "20 percent" threshold for the requesting Office. Given this clear definition of maximum access, and the low level of demand for these resources in recent years, it is proposed that the requirement for CAM

and Executive Board approval of requests for TIF access for regional surveillance be discontinued effective FY2021.

V. STRENGTHENING SUPPORT FOR FRAGILE AND CONFLICT-AFFECTED STATES

15. **The objective of the current proposals is to streamline the operation of the OED budget while remaining within the framework established through previous discussions of the CAM.** At the meeting on February 14, the CAM Chairman noted that, consistent with its streamlining objective, the purpose of the current exercise is not to reopen discussions on structural staffing norms or to propose new supplemental financing mechanisms beyond those agreed in the most recent major review of the OED budget concluded in 2016.

16. Nonetheless, it is recognized that the institution continues to change and continuously adapt to best serve the needs of its members. In this spirit, **the CAM may wish to consider ways that the OED budget could be adjusted to strengthen support for fragile and conflicted affected states** (FCS) given the increasing priority the institution is placing on assisting these members.

17. **To this end, the CAM could consider bringing FCS countries within the scope of the existing mechanism for financing temporary additional workload for programs and non-financial arrangements.** Under this approach, Offices representing FCS countries would be able to count those countries towards the workload ratio (that is, FCS countries would be deemed to be equivalent to programs and approved non-financial arrangements for the purposes of this mechanism). The Executive Board has agreed that for the purposes of this mechanism, "Approved Programs" will include Extended Fund Facility (EFF), Stand-By Arrangement (SBA), Flexible Credit Line (FCL), Precautionary and Liquidity Line (PLL), and Rapid Financing Instrument (RFI); and under PRGT Low Income Country Facilities: Extended Credit Facility (ECF), Stand-By Credit Facility (SCF), and Rapid Credit Facility (RCF). Approved non-financial arrangements shall include: Staff-Monitored Programs (SMP), Policy Support Instruments (PSI), and Post-Program Monitoring. It is proposed also to include the Policy Coordination Instrument (PCI), given similarities in its purpose and design to the PSI.⁷

18. **The definition of "FCS countries" would be consistent with the listing maintained by the staff of fragile and conflict-affected countries.** This list includes all countries that meet one or both of two criteria: (i) the Country Policy and Institutional Assessment score (CPIA), averaged over the last three years for which data is available, is less than 3.20; and (ii) there has been a United Nations and/or regional peace-keeping or peace-building operation in-country during the last three years.

⁷ The Policy Coordination Instrument came into effect in July 2016, after the conclusion of the most recent OED budget review in January of that year. The present review is an appropriate opportunity to address this omission.

19. **The expected impact on requests for supplemental financing is expected to be very modest.** Currently forty-two countries are classified as FCSs; of these twenty countries already have an approved Fund program. It is proposed that countries which are listed both as program and FCS members would be counted only once in determining the OED's staffing:workload ratio, i.e. no double-counting.

20. **Inclusion of FCS countries as proposed is not expected to trigger additional demands for these resources** (see Table 3). All of the current access criteria for these supplemental resources would remain unchanged: eligibility for these resources would continue to be subject to a workload threshold, diversification of financing requirement, and access limit of no more than 1 FTE Advisor position per annum. Currently four OEDs (OEDAE, OEDAF, OEDMD, and OEDNE) meet the staffing:program workload criteria for this financing, of which only one is fully eligible to request these resources. As shown in Table 3, the impact of including FCS is expected to be very limited. Only one additional Office (OEDAP) would meet the workload threshold, but given its carryforward balance would not qualify for these supplemental resources. Notwithstanding the limited impact, this adjustment would be helpful in providing the Offices that currently represent a very large number of countries that have programs and/or are FCS that they could continue to access supplemental financing (within the existing access criteria) to support additional personnel if needed.

Table 3. Implications of including Fragile and Conflict-Affected Countries within Scope of Supplemental Financing for Temporary Workload Arising from Programs and Non-Financial Arrangements

Fragile and Conflict-Affected (FCS) and Program Countries (as of 2/20/20)											Staffing: Workload Ratio 1/		
			of which: Nonprogram Countries	No. of Program/ NFA	of which: PCI	Program/ NFA + Nonprogram FCS (C = A + B)	REG1/ REG2 (headcount)	With Program/ NFA	With Program + Nonprogram FCS				
Office	No. of Countries in the Constituency	No. of FCS	(A)	(B)			(D)	(E = D/B)	(F = D/C)	Impact of including FCS			
OEDAE	23	10	5	12	0	17	15	1.3	0.9	Lower ratio, continues to meet eligibility threshold			
OEDAF	23	13	2	20	2	22	15	0.8	0.7	Lower ratio, continues to meet eligibility threshold			
OEDAG	6	0		1	0	1	7	7.0	7.0				
OEDAP	15	6	5	3	1	8	9	3.0	1.1	Meets criteria with FCS			
OEDBR	11	2	2	2	1	4	9	4.5	2.3	No impact; ratio remains above eligibility threshold			
OEDCC	1	0		0	0	0	6						
OEDCE	8	0		3	0	3	7	2.3	2.3				
OEDCO	12	0		2	0	2	8	4.0	4.0				
OEDEC	8	1	1	0	0	1	8	0.0	8.0	No impact, ratio remains above eligibility threshold			
OEDFF	1	0		0	0	0	6						
OEDGR	1	0		0	0	0	6						
OEDIN	4	0		1	0	1	6	6.0	6.0				
OEDIT	6	0		2	0	2	8	4.0	4.0				
OEDJA	1	0		0	0	0	6						
OEDMD	8	2	1	5	0	6	8	1.6	1.3	Lower ratio			
OEDMI	11	4	3	3	0	6	8	2.7	1.3	Lower ratio			
OEDNE	15	0		6	0	6	10	1.7	1.7	No impact, continues to meet eligibility threshold			
OEDNO	8	0		0	0	0	8						
OEDRU	2	1	1	0	0	1	6	0.0	6.0	No impact, ratio remains above eligibility threshold			
OEDSA	1	0		0	0	0	6						
OEDST	13	1	1	0	0	1	10	0.0	10.0	No impact, ratio remains above eligibility threshold			
OEDSZ	9	1	1	2	1	3	8	4.0	2.7	No impact, ratio remains above eligibility threshold			
OEDUK	1	0		0	0	0	6						
OEDUS	1	0		0	0	0	6						

1/ To be eligible for supplemental financing, the staffing to workload ratio must score 2 or less.

VI. RELEASE OF PASSIVE RESERVES IN OED BUDGET

21. **As noted above, the focus of this exercise is administrative simplification through an internal reorganization of the OED budget framework.** All the supplemental financing mechanisms currently financed on a temporary basis through the OED central carryforward would be moved into the structural budget, and thus treated as permanent elements of the framework.

Treatment of OED Central Carryforward

22. **These changes, if approved, would mean that the OED central carryforward would no longer be needed to finance any existing supplemental financing mechanisms.** There is no other agreed use for these resources. In past budget reviews, there has been a sense that these resources should be retained as a buffer against possible future needs, but no consensus has formed on how these surplus resources should be deployed. The ongoing need for them is unclear as most OEDs have accumulated very substantial Office carryforward reserves as a buffer against changing pressures. These individual “cushions”, plus the rebuilt central contingency reserve, should offer sufficient safeguards against future pressures.

23. **Accordingly, it is proposed to discontinue the OED central carryforward (currently \$4.7 million) in the OED budget envelope effective FY2021.** These resources represent “surplus” savings; the current balance understates the total amount of the surplus being generated by individual OEDs by nearly \$2 million each year. The current “stock” of the OED central carryforward is the maximum amount that may legally be retained in the OED budget. Savings above this level do not return to the Fund administrative budget but become inaccessible appropriations. This level of underspending suggests overbudgeting for the OEDs. Consistent with the presentation to the CAM on February 14, it is proposed that excess savings above the approved threshold generated by the individual OEDs and any underspending in the OED collective expense accounts in FY2020 would automatically be made available to the Fund’s general budget. This represents full discontinuation of the OED central carryforward going forward.

Treatment of the Residual Balance of the Unallocated Structural Surplus

24. **The balance of the unallocated structural surplus is \$3.36 million in FY2020.** The streamlining proposals presented in this paper envisage redeploying \$0.975 million of that amount (\$0.725 million to rebuild the Central Contingency Reserve and \$0.25 million to finance the Direct Travel Allocation). A residual balance of approximately \$2.4 million would remain. Similar to the OED central carryforward, no existing agreement is in place for how these resources should/could be utilized within the OED budget. They also represent a passive reserve in the OED structural budget.

25. **It is therefore proposed to release the residual balance of the unallocated structural surplus (the balance remaining after financing the OED central contingency reserve and the Direct Travel Allocation) to the institution** for reallocation to other priorities. Doing so would commensurately reduce the size of the OED budget envelope in FY2021 relative to FY2020.⁸

VII. SUMMARY OF PROPOSED CHANGES

26. **Effecting the proposals presented above will require amending the decision of the Executive Board adopted in 2016 for the revised OED budget framework.** For illustrative purposes, Table 4 presents the overall budget envelope in FY2020, and indicates how the proposals would be implemented also in FY2020 terms. For clarity, a redlined version of the 2016 revised OED budget framework is attached as Appendix 1 to this paper, indicating how the following changes would be embedded in the OED budget framework as a whole:

(i) **The OED central contingency reserve shall be set at \$1.25 million in FY2021, thereafter to be increased annually in line with the global external deflator.** This increase will be financed by redeploying \$0.725 million currently held in the OED budget as an unallocated structural surplus.

(ii) **The rebuilt central contingency reserve will serve as the single, consolidated source of financing for the following supplemental financing mechanisms in the OED budget framework:**

(a) Requests for supplemental financing for temporary personnel needed to backfill regular OED personnel who are experiencing exceptional absences;

(b) Supplemental financing for temporary workload relating to representation of countries with approved programs and/or non-financial arrangements, and/or representing fragile and conflict-affected states;

(c) Supplemental resources for Offices representing a number of countries between the approved staffing norm thresholds ("smoothing"); and

⁸ A similar reduction occurred in FY2020, when the Board decided to reduce the size of the OED budget envelope in FY2020, relative to FY2019, rather than transfer resources released by changes in constituency composition in the 2018 regular election of EDs to the unallocated structural surplus. Decisions by three member countries to change their constituency membership had the effect of reducing budgeted staffing norms requirements for two Offices, releasing a combined saving of \$0.8 million for reallocation to other priorities in the Fund's administrative budget envelope. See *Offices of Executive Directors—FY2020 Budget Envelope—Proposed Formulation to Reflect New Constituency Arrangements*, EBAP/19/21 (3/1/19).

(d) Travel in the Interest of the Fund.

(iii) **No changes shall be made to the access criteria and financing limits governing these supplemental financing mechanisms other than to include Fragile and Conflicted States within the scope of the mechanism for supplemental financing for temporary workload for programs and non-financial arrangements.**

FCS countries may be counted toward the staffing:workload ratio on the same basis as countries with approved programs and NFAs; FCS countries that also have approved programs/NFAs may be counted only once towards this ratio. The Policy Coordination Instrument shall be included as an approved non-financial arrangement alongside Staff-Monitored Programs (SMP), Policy Support Instruments (PSI), and Post-Program Monitoring (PPM).

(iv) **Requests for supplemental financing for temporary workload for programs/NFAs and FCS that fully meet the approved criteria for access to these resources shall be deemed automatically approved for a full financial year.** These requests shall not require a separate approval by the CAM nor review by the CAM during the financial year for which such resources are requested.

(v) **Requests for access to resources for Travel in the Interest of the Fund (TIF) for regional surveillance missions shall be deemed automatically approved within the existing access limits (a maximum annual limit of 20 percent of the requesting Office's approved annual travel budget allocation plus up to \$40,000).** CAM and Executive Board approval would be required for access to TIF resources above this limit.

(vi) **The Direct Travel Allocation shall be incorporated into the OED structural budget and financed through a redeployment of \$0.25 million from the unallocated structural surplus** in FY2021. This amount shall be adjusted annually thereafter by the global external deflator.

(vii) **The allocation for Travel with Management shall continue to be financed within the OED structural budget.** As in past years, in FY2021 this allocation shall be set at \$0.2 million in FY2021. This amount shall be adjusted annually thereafter by the global external deflator.

(viii) **The OED central carryforward shall be discontinued effective FY2021.** The existing balances held in this account in FY2020 shall be made available to the Fund's general budget. In future years, excess underspending in the individual OEDs *above* the limits they may hold in their individual Office carryforward account, plus any underspending in the OED collective expense accounts, shall automatically be made available to the Fund's general budget.

(ix) **The residual balance of the unallocated structural surplus remaining after financing the OED central contingency reserve and the Direct Travel Allocation shall be made available to the Fund's general budget for reallocation to other priorities in FY2021 only.** In future years, the CAM shall assess the trend for accumulation of these resources in the OED budget in the context of its regular deliberations on the size and structure of the OED budget envelope for each new financial year; and determine the appropriate treatment of those resources in light of prevailing circumstances at the time of review.

Table 4. Proposed Changes to FY2020 OED Budget Relative to FY2021

Table 4. Proposed Revisions to OED Central Budget Allocations
(in thousands of U.S. dollars)

	Current Allocations Based on FY20 Budget		Proposed Allocation		Difference
	Structural	Carry Forward	Structural	Carry Forward	
A. STRUCTURAL BUDGET					
Total Envelope	75,342		72,954		2,388
1- Offices	69,384		69,384		0
2- OED Center (items A to D)	5,958		3,570		2,388 1/
of which:					
A - Direct Travel Allocation	0		250		
B - Group Expenses	670		670		
C - Travel with Management	200		200		
D - Contingency	5,088		2,451		
<i>Central Contingency Reserve</i>	-		1,250 2/		
<i>Resources for Exceptional Absences</i>	525		-		
<i>Voluntary Savings Agreement</i>	881		881		
<i>Salary forfeiture 3/</i>	319		319		
<i>Unallocated Surplus</i>	3,363		-		
B. CARRY FORWARD					
Total Resources		14,847		10,118	4,729
1- Offices		10,118		10,118	0
2- OED Central Carry Forward		4,729		0	4,729
Direct Travel Allocation		250		-	
ED's retreat		95		-	
Temporary Workload Programs/NFAs		1,250		-	
"Smoothing"		140		-	
Travel in the interest of the Fund		250		-	
Unallocated carry forward		2,744		-	

1/ Remaining balance from unallocated surplus after financing for Direct Travel Allocation (\$250K) and amount needed (\$725K) to bring up the Central Contingency Reserve to \$1.25M.

2/ Includes resources for (i) temporary additional personnel during absences of regular Office employees arising from extended leave for exceptional reasons; (ii) temporary workload programs/NFAs/FCS; (iii) smoothing; and (iv) Travel in the Interest of the Fund.

3/ Notional earmarked resource.

Proposed Recommendation

It is proposed that the Committee on Executive Board Administrative Matters recommend the following decision for adoption by the Executive Board:

1. The Executive Board approves the revised framework for the expenditures of Offices of Executive Directors as set out in Appendix I of EBAP/20/XX, effective May 1, 2020.
2. This decision supersedes prior decisions of the Executive Board with respect to the expenditures of Offices of Executive Directors, including EBAM/16/1 (1/19/16).

Appendix I. Proposed Revisions to Expenditure Framework for Offices of Executive Directors

Redline changes to the Executive Board decision attached to EBAM/16/1, 1/19/16

A. Preamble

1. The Executive Board shall adopt a budget framework for the Offices of Executive Directors (OED), giving effect to the obligation of the Fund to provide resources to Executive Directors necessary to carry out their duties as officials of the Fund and representatives of the member countries that have elected ~~or appointed~~ them. The OED budget framework shall comprise: (i) a specific OED budget envelope, formulated annually in line with the development of the administrative budget for the Fund; and (ii) policies that the Executive Board may adopt from time to time reflecting a broad agreement on the appropriate levels of resources for staffing, travel, and other incidental expenses for all individual Offices of Executive Director, as well as collective OED expenses. The OED budget framework shall reflect the following overarching principles:

- (i) All OEDs shall seek to meet operational pressures through prudent management of their annual budget allocations.
- (ii) If additional operational pressures arise, Offices are expected to address these pressures in the first instance through recourse to accumulated savings in their own budgets (Office carryforward), or through external financing from capitals.
- (iii) Recognizing the unique characteristics of each Office of Executive Director and differing pressures, the budget framework shall provide for limited recourse to supplemental financing in defined, exceptional circumstances.

B. Applicability

2. The budgetary allocation for the OEDs shall provide resources for the following: the administrative expenditures of individual OEDs; the collective spending needs of the OED; and a collective OED contingency reserve.

3. The framework set forth below shall apply to the budgetary allocation for OEDs as described in paragraph 2 above, as well as any externally-provided resources, as set out in Section L. The budgetary allocation for the administrative expenditures of individual OEDs shall consist of the following components:

- Personnel expenditures, as determined in accordance with Section C;
- Business travel expenditures, as determined in accordance with Section E; and
- Other discretionary expenditures, as determined in accordance with Section G.

C. Allocation for Personnel Expenditures

4. For each OED, the budgetary allocation for personnel expenditures shall be determined as the standard cost, as set out in paragraph 5, of the normative staffing established for its constituency, as set out in paragraphs 6, 7, and 8.

5. Standard costs shall be established on an annual basis for the following categories of OED personnel:

- (i) Executive Director, Alternate Executive Director, and Senior Advisor (REG1);
- (ii) Advisor to Executive Director (REG2); and
- (iii) Assistant to Executive Director (REG3).

Standard costs shall be set at the estimated cost of salary and benefits for each personnel category.

6. The base normative staffing for each OED will consist of one Executive Director, one Alternate Executive Director, one Senior Advisor, three Advisors, and two Assistants.

7. The base normative staffing for each OED shall be adjusted, based on the constituency whose members have elected the Executive Director or designated the Executive Director to represent their interests, as follows:

- 2–5 countries: one additional Senior Advisor and one less Advisor;
- 6 countries: two additional Senior Advisors and one less Advisor;
- 7–9 countries: one additional Alternate Executive Director, one additional Senior Advisor, and one less Advisor;
- 10–12 countries: one additional Alternate Executive Director and one additional Senior Advisor;
- 13–15 countries: one additional Alternate Executive Director and two additional Senior Advisors;

- 16–18 countries: one additional Alternate Executive Director, three additional Senior Advisors, and one additional Advisor;
- 19–21 countries: one additional Alternate Executive Director, four additional Senior Advisors, two additional Advisors, and one additional Assistant;
- 22 or more countries: one additional Alternate Executive Director, five additional Senior Advisors, two additional Advisors, and one additional Assistant.
- For the two sub-Saharan African constituencies: one additional Alternate Executive Director, five additional Senior Advisors, two additional advisors, and one additional Assistant, provided the number of countries in these constituencies does not fall below 20.

8. In addition, if an Executive Director must communicate with the members that elected him or her in three or more languages, excluding English, the normative staffing of his or her Office shall be increased by one additional Advisor.

9. The normative staffing set out in paragraphs 6, 7, 8 above is established for the purpose of setting the annual budget allocation for personnel expenditures for each Office. An Executive Director may appoint any combination of Senior Advisors, Advisors, and Assistants according to the needs of his or her Office, provided that the total cost of personnel expenditures for the Office does not exceed its budgetary allocation for personnel expenditures.

10. An Executive Director shall not make any appointment of personnel *above* the annual personnel budget allocation for the Office, as provided for in Section H below, without providing to the CAM, in advance of the appointment, an assurance in writing that the full costs of the position can be financed for the duration of the appointment by available resources including, if necessary, external financing by capitals, internal redeployment within the Office's approved annual budget allocation, utilization of the Office's carryforward resources (as provided for under Section L below), and/or approved temporary supplemental financing from the OED central budget (as provided for in Section I), or a combination thereof.

11. Offices do not need to submit to the CAM a financing plan for appointments or replacements of office personnel that can be fully financed within the Office's annual personnel budget allocation. In these cases, the usual notification to the Executive Board of appointments of personnel should state that the position is being financed within the Office's approved staffing budget allocation.

12. In order to facilitate compliance with overall budget constraints and contain the growth of expenditures in OED, Executive Directors are encouraged to renounce part of the individual budget allocation to which they would otherwise be entitled, on an *ex ante* basis, so that the

resulting savings may be taken into account in formulating the budgetary allocation for OED. Such renunciation of resources shall be binding for the period of that Director's tenure in the Office. In addition, in order to contribute to limiting the overall cost of OED outturns, an Executive Director will only make personnel appointments that are genuinely needed to meet the workload demands of his or her Office.

13. **Change in the Size of a Constituency.** In the event of a change in the size of a constituency during the course of an annual budget cycle that would result in an increase in the respective OEDs' entitlements to budget resources for personnel and related expenditures, the following adjustments shall be made:

- If the size of a constituency increases so that an Office moves to a higher staffing norm band, additional personnel resources consistent with the new constituency profile shall be allocated to the Office.
- The travel allocations for an Office for which constituency size increases shall be adjusted upwards to reflect planned missions to the new member of the constituency for the remainder of the financial year.
- These additional budgetary allocations shall be financed from the OED central contingency reserve, ~~or if those resources are insufficient, from unallocated resources held at the OED center.~~
- The budget allocations for any Office for which the staffing norms will decrease as a result of a change in constituency composition following a regular election of Executive Directors shall remain unchanged for the remainder of the financial year in which the election is held.
- The staff shall submit proposed budgetary adjustments to give effect to these provisions to the CAM for its review, and recommendation to the Executive Board for approval.

14. If approved, these additional budgetary allocations shall be financed in the first instance from the OED central contingency reserve, ~~and if insufficient resources are available in that reserve, from central unallocated resources in the OED budget.~~ If these resources are insufficient and no contributions from authorities are available, then the Executive Board will consider whether to approve an additional appropriation for this purpose.

D. Additional Resources for Offices Representing Additional Countries above a Staffing Norm Threshold (Smoothing)

15. In each financial year, the Executive Board shall set aside resources within the OED central ~~carry forward~~ contingency reserve to finance the costs of representation of additional countries

above a staffing budget norm threshold (as set out in paragraph 7 above). Access to these resources shall be on the basis of the following criteria:

- (i) Offices representing additional countries above a staffing norm threshold may request an additional allocation of \$35,000 for each country above the staffing norm threshold, provided that the Office has less available Office carry forward than the amount which could be requested under the smoothing formula.
- (ii) Executive Directors may request these resources as soon as the central carry forward from the previous year is known (usually mid-June).
- (iii) Requests for smoothing adjustments by Offices that meet the eligibility criteria shall be transferred to the requesting OED as a working budget adjustment, without the need for CAM or Executive Board approval.
- (iv) Access to these resources will need to be fully refunded to the OED center before an Office can carry forward unspent resources to the next financial year.

E. Allocation for Business Travel Expenditures

16. Individual OEDs shall be allocated budget resources for business travel in accordance with decisions adopted by the Executive Board.¹

F. Supplemental Resources for Travel in the Interest of the Fund

17. In each financial year ~~an amount of \$250,000 shall be set aside in the OED central carry forward~~ the Executive Board shall set aside resources in the OED central contingency reserve ~~sufficient~~ to finance Travel in the Interest of the Fund (TIF). Travel in the interest of the Fund includes, but is not limited to bilateral and regional surveillance missions, use of Fund resources missions, consultations with authorities, attendance at meetings of the IMFC, G20 and other similar international bodies, and participation in Financial Sector Assessment Program missions.

18. Directors may request access to the additional travel resource, as set out below, for travel by personnel in their offices that they determine to be in the interests of the Fund. Executive Directors' requests for these resources shall be submitted via the online tool in the OED budget website, which is accessible by all Executive Directors.

- (i) During the first nine months of the financial year, Directors may access additional resources from this envelope of up to 10 percent of their office's annual base travel

¹ The Executive Board has developed a methodology for the allocation of individual OED travel budgets (see *Revision of Methodology for Allocating Travel Budget Resources to Individual Offices of Executive Director, and Provision of Temporary Additional Resources for OED Travel*, EBAM/12/6 (7/11/12)).

allocation, without further approval by either the CAM or the Executive Board. Requested resources up to the 10 percent limit shall be transferred from the additional travel resource to the requesting Director's travel budget as a working budget adjustment after the respective Office's remaining travel allocation has fallen to a level that is not sufficient to finance an additional trip.

- (ii) If needed, at the nine-month mark of the financial year, Directors may request access to additional resources from the additional travel resource above 10 percent but no more than 20 percent (cumulative) of their office's base travel allocation. If resources remaining in the ~~additional travel envelope~~ OED central contingency reserve are sufficient to fully meet the requests submitted by Executive Directors at that time, the requested resources shall be transferred from the ~~central carry forward~~ OED central contingency reserve to the requesting Director's travel budget as a working budget adjustment after the respective Office's remaining travel allocation has fallen below \$10,000. If remaining funds in the additional travel envelope are not sufficient to fully meet requests submitted by Directors, they will be allocated on a pro-rata basis.
- (iii) If an Office needs to access TIF resources above the 20 percent maximum limit in order to carry out regional surveillance, it may ~~submit a request to the CAM, for recommendation to the Executive Board for approval, for additional resources within the TIF~~ request additional resources to support specific regional surveillance missions up to a total of \$40,000. ~~If resources remaining in the OED central contingency reserve are sufficient to fully meet the requests submitted by Executive Directors at that time, the requested resources shall be transferred from the OED central contingency reserve to the requesting Director's travel budget as a working budget adjustment after the respective Office's remaining travel allocation has fallen below \$10,000. If remaining funds in the additional travel envelope are not sufficient to fully meet requests submitted by Directors, they will be allocated on a pro-rata basis.~~ Such exceptional access for this purpose shall not be counted towards the overall cap on an Office's access to additional resources from the OED central budget provided for in paragraph 37.

19. **Technical changes to the calculation and adjustment of travel budget allocations.** In each financial year the final travel budget allocations for individual OEDs will reflect information on area department travel plans as at end of the first quarter of the financial year, in order to permit a more precise calculation of OED travel budgets. Pending availability of this information each year, interim travel budget allocations will be calculated for the first quarter, using the previous financial year's approved travel allocations adjusted by deflator.

20. **Automatic adjustments of OED travel budget allocations for program-related missions.** In each financial year additional travel budget resources shall be made available to OEDs upon request, without further approval by the CAM and the Executive Board, as follows:

- (i) The OED represents a member country that enters program status after final travel budget allocations have been approved.
- (ii) In these circumstances, the OED may request additional travel resources for UFR missions to that member country, provided that those UFR missions were not already taken into account in the departmental travel plans on which the requesting OED's approved travel budget was based.
- (iii) Such additional travel resources for UFR missions will be financed from the OED central contingency reserve, but to preserve the underlying intention of this provision to ensure that the travel budgets of affected Offices accurately reflect the pattern of staff travel, such access will not be subject to the usual requirement that allocations from the central contingency must be refunded to the center before an Office may carry forward any underspending to the next financial year.

21. Central Travel Account to finance OED travel with management. In each financial year, resources ~~of \$200,000~~ shall be set aside in the OED ~~structural~~ budget in a Central Travel Account (CTA), to finance travel by Executive Directors or their approved staff to accompany management. ~~In FY2021 this amount shall be \$200,000, to be adjusted annually thereafter by the global external deflator.~~

22. Executive Directors may charge the costs of travel to accompany Fund management directly to the OED CTA, subject to resource availability within the account and consistent with the guidelines previously circulated to Offices of Executive Directors. Prior CAM and Executive Board approval of such requests shall not be required.

23. Access to the CTA shall be disclosed to the Executive Board in real time via an online tool in the OED budget website notifying all Executive Directors when an Office has requested access to the CTA, the destination, and amount of resources requested for each trip.

24. Supplemental direct travel allocations to Offices of Executive Directors: In each financial year, direct allocations to individual OEDs ~~should increase by a total of \$250,000, to be financed from resources held in the OED central carry forward~~ shall increase by an amount appropriated annually in the OED structural budget to support additional travel. ~~These resources will, to be divided equally between the individual OEDs. In FY2021 this amount shall be \$250,000, to be adjusted thereafter by the global external deflator (i.e., an additional allocation of \$10,417 per Office), equivalent on average to about one additional constituency trip for each OED.~~ The additional allocation will be made as a working budget adjustment to the travel allocation for each OED.

G. Allocation for Other Discretionary Expenditures

25. Individual OEDs shall be allocated budget resources for other discretionary expenditures in accordance with decisions adopted by the Executive Board.

H. Personnel Expenditures in Excess of Budgetary Allocation

26. Within the limits set out below and subject to review by the CAM, an Executive Director may incur costs in excess of the annual budgetary allocation for personnel expenditures for his or her Office.

27. At any given time, the total number of personnel in an OED may not exceed by more than two the number of personnel in the normative personnel complement for that Office as set out in paragraph 7 of Section C above.

28. An Executive Director who wishes to appoint additional staffing above the budgeted level for the Office should make every effort to secure external financial support from constituency member countries or supranational governmental authorities as provided for in Section M below to fully offset these additional costs.

29. **Full financing of additional personnel above budgeted allocation using external resources or internal savings:** Offices that can secure a financing guarantee from capitals, and/or deploy internal savings and carryforward reserves sufficient to fully cover additional personnel expenditures up to the dollar equivalent of 2 FTE Advisor positions for personnel do not need CAM or Executive Board approval to receive these reimbursements. In these circumstances, the Office shall notify the CAM Chairman of its financing plan before any appointment is made. CAM approval shall be required for external financing above the threshold of 2 FTE Advisors. External financing plans should cover all financial years in which the additional appointment will be in effect. Full payment, as specified in the financing plan, must be received no later than the end of each financial year covered by the duration of the financing plan.

30. **Financing of additional personnel above budgeted allocation using supplemental financing for exceptional workload:** Offices that intend to cover the financing gap arising from appointment of additional personnel over the budgeted level for the Office using supplemental financing from the OED central budget (as provided for in Section I below) shall be required to submit a financing plan to CAM for approval. CAM approval must be secured in advance of any appointments of personnel above the budgeted complement. ~~Offices that in FY2016 are employing personnel in excess of the budgetary allocation for the Office, and which are subject to the transitional provisions set out in paragraph 36 below may hold this additional staffing in place during the period in which CAM approval of any supplemental financing is being sought in FY2017.~~

31. The Office's financing plan required under paragraphs 29 and 30 above should outline the additional staffing need (type of position), expected duration (hiring date and expected length of service), the additional personnel costs to be incurred in each financial year in which the appointment will be in effect, how the additional expenditures shall be financed (i.e., by externally-provided resources from capitals, and/or utilization of internal savings, including carryforward, and /or OED central resources); and the adjustment plan for returning to a steady state within the budgeted personnel allocation.

32. An Executive Director may incur excess expenditures for personnel only when the CAM determines, on the recommendation of staff, that the financing plan is satisfactory. If the CAM does not consider the financing plan satisfactory, the Executive Director in question may refer the matter to the Executive Board for its consideration.

33. If at any time there are insufficient budgetary resources to cover the personnel costs of an OED, the Executive Director must take the necessary steps in order to avoid an unfunded commitment and remain within existing budgetary authority, including if necessary the termination of appointments in his or her Office as provided under applicable rules. The CAM shall be responsible for monitoring compliance with this obligation and, if issues of adequate budget control remain unaddressed, for bringing the matter to the attention of the Executive Board Ethics Committee. In addition, if the financial commitments made by an Executive Director result in a shortfall with respect to the budget resources available for the expenditures resulting from such commitments, the Board may decide to deduct the cost of covering such shortfall from the individual budget allocation for that Office for the next year.

I. Supplemental Financing for Exceptional, Temporary Workload Pressures

34. The Executive Board shall set aside annually ~~an amount from central unallocated resources in the OED budget envelope~~ resources in the OED central contingency reserve, at a level sufficient to enable Offices of Executive Directors to address short-term, exceptional workload pressures. Executive Directors who wish to seek access to these resources shall submit a request to the CAM for review and recommendation to the Executive Board for approval. Requests to the CAM shall conform to the requirements set forth in paragraphs 35, 36, and 37 below.

35. Access to supplemental financing for exceptional temporary workload pressures shall be limited to Offices that are experiencing temporary, acute increases in workload associated with approved Fund programs and/or approved nonfinancial arrangements (NFA) and/or ~~Fragile and Conflict-Affected States (FCS)~~, and which meet the following criteria:²

² Approved Fund programs shall include Extended Fund Facility (EFF), Stand-by Arrangement (SBA), Flexible Credit Line (FCL), Precautionary and Liquidity Line (PLL), and Rapid Financing Instrument (RFI); and under PRGT Low Income Country Facilities: Extended Credit Facility (ECF), Stand-by Credit Facility (SCF), and Rapid (continued)

- (i) **Workload threshold:** Eligibility to request supplemental resources from the OED central budget shall be restricted to Offices for which the number of budgeted, professional level (REG1 and REG2) positions under the staffing norms is no more than two positions per each approved program or NFA ~~or FCS country~~ in the financial year (i.e., 2:1 ratio of professional staff to programs/NFAs. ~~Member countries which have either an approved Fund program or NFA and are also classified as FCS shall be counted once in determining the workload threshold.~~
- (ii) **Diversification of financing:** Offices may not seek to fully finance a projected personnel expenditure gap through access to supplemental financing from OED central resources. Accordingly, an Office requesting access to these resources shall be required to demonstrate that it shall meet at least part of its additional personnel costs through either external financing and/or internal savings/office carry forward, as well as the requested supplemental resources.
- (iii) **Deployment of Office carry forward reserves:** An Office requesting access to supplemental financing for temporary exceptional workload is required to fully deploy available internal carry forward resources towards these additional personnel costs. If financing is sought in consecutive years, available carryforward shall first be refunded to OED center to refund the previous year's access to these resources as provided in paragraph (vi) below.
- (iv) **Financing limit:** The requested supplemental resources may not exceed the dollar equivalent of 1 FTE Advisor in each financial year for which supplemental financing is requested.
- (v) **Duration of financing:** Eligible Offices may request access to supplemental financing ~~for the full duration of~~ each financial year during which they meet the workload threshold set out in paragraph 35 (i) above and subject to the requirements specified in paragraph 35 (ii), (iii), (iv), and (vi). ~~Reflecting the views of a majority of Directors that the need for additional resources will naturally diminish as the program-related workload reduces, it is proposed that the duration of financing be tied strictly to the workload threshold requirement. Accordingly, Offices requesting supplemental financing shall adjust their requests to reflect the number of months in a financial year during which it is projected the Office shall meet the workload threshold. If an Office receiving these supplemental resources ceases to meet the workload threshold during the year, the CAM shall be~~

Credit Facility (RCF). Approved nonfinancial arrangements (NFA) shall include Staff-Monitored Programs (SMP), Policy Coordination Instruments (PCI); Policy Support Instruments (PSI), and Post-Program Monitoring (PPM). ~~Fragile and Conflict-Affected States shall be defined in line with the classification of such countries under the guidelines for the work of Fund staff.~~

~~notified and may consider whether the Office shall refund to the OED central budget a pro-rated share of the supplemental financing it has received under this mechanism.~~

- (vi) **Refund of supplemental financing:** Offices that access temporary resources to finance additional personnel expenditure will be required to refund the OED contingency reserve for all temporary resources drawn, before any budgetary savings are carried forward to the next financial year.
- (vii) **Timing of requests:** Eligible Offices intending to seek resources under this mechanism may submit requests for supplemental financing as soon as the Office carryforward position from the preceding year is known. Requests may also be submitted at any time during the financial year if an Office's circumstances should change so that the workload threshold in paragraph 35 (i) is met.

36. [This provision has now expired and can be removed]: **Transitional Provisions for FY2017:** ~~To facilitate an orderly transition of personnel, and mitigate the risk that a change in financing may necessitate the termination of employment of current OED personnel before they have completed two years of Fund employment with associated requirements to refund certain benefits to the institution, the following transitional provisions shall apply~~

- ~~(i) — OEDs which have previously accessed OED central resources to maintain additional personnel above the budgeted complement under the arrangements in place for FY2016 may, if needed, submit a request for supplemental financing in FY2017 up to the level requested in FY2016, for a maximum duration of one financial year.~~
- ~~(ii) — If, at the end of FY2017, it is necessary for these Offices to terminate the employment of an individual Office employee in order to return to a staffing steady state within available resources, that employee shall not be required to refund the institution a pro-rated share of appointment and separation benefits in the event that the termination of his/her employment results in a term of service of less than two years.~~

J. Cumulative Limit on Access to Supplemental Financing from OED Central Budget Resources

37. In any financial year, an Office of Executive Director may not access supplemental financing ~~from collective resources held in the OED central budget (i.e., for~~ supplemental financing for temporary, exceptional workload pressures; access to the OED central contingency reserve; travel with management; and resources for travel in the interest of the Fund), above the dollar equivalent of two full-time equivalent Advisor positions. However, exceptional access to resources for travel in the interest of the Fund for the purpose of participating in mission travel for regional surveillance of currency unions, as provided for in paragraph 18 (iii) above, shall not be counted towards the cumulative limit.

K. Transfer of Funds between Expenditure Components

38. Budgetary funds allocated to OED for personnel expenditures, business travel expenditures, and other discretionary expenditures may be transferred from one expenditure component to another, except that the transfer of resources allocated from regular personnel expenditures to any other expenditure components may not exceed 50 percent of the sum of Group III and IV budget allocations during any given year, or \$100,000, whichever is the greater amount. An Executive Director who wishes to transfer amounts in excess of this limit shall, prior to any such transfer, submit to the Chairman of the CAM a request setting out the reasons therefore. Excess transfer of funds between expenditure components may be undertaken only when there is a consensus in the CAM, on the recommendation of staff, that there is sufficient justification for doing so. If the CAM does not consider the justification sufficient, the Executive Director in question may refer the matter to the Executive Board for its consideration.

L. Individual OED Carry forward Accounts

39. At the end of each financial year (April 30), any unused portion of an individual OED budget may be transferred to an individual carry forward account for that Office. The amount of this account may not exceed 20 percent of the Office's annual net budget allocation for the financial year beginning on May 1 or the cost of two FTE Advisors, whichever is greater. Any excess saving ~~by an individual Office above this threshold will be transferred to the OED contingency reserve (see Section N below)~~ made available to the Fund's general budget for reallocation to other priorities.

40. An OED may incur expenses in excess of its budget resources by drawing on the carry forward account for that Office, provided that drawings on this account for financing travel expenditures and other discretionary expenditures during any given year shall not exceed 40 percent of the total of the base allocations for these categories of expenditures.

M. Externally-Provided Resources for OEDs

41. In addition, or as an alternative, to the use of its individual carry forward amount, an OED may utilize resources that have been provided by the authorities who ~~appointed or~~ elected the Executive Director, or who have asked the Executive Director to look after their interests.³

42. The limitations with respect to transfer between expenditure components (Section K) and carry forward (Section L) of budget resources shall not apply to the use of such externally-provided resources, but the limitations and procedures with respect to expenditures for excess personnel (Section H) shall apply.

³ In this context, the definition of "authorities" from whom Offices of Executive Directors may receive external financing includes finance and/or development ministries, national central banks, regional central banks, and supranational institutions such as the European Commission, as per footnote 1 on page 8 of EBAM/08/122.

N. OED Central Contingency Reserve

43. An OED ~~collective~~ central contingency reserve shall be appropriated each year in the OED structural budget. In FY2021, the OED central contingency reserve shall be set at an amount of \$1.25 million, to be adjusted annually thereafter by the global external deflator. The OED central contingency reserve shall serve as a single, consolidated sources of supplemental financing for additional resources for Offices representing additional countries above a staffing norm threshold (as provided for in Section D above); travel in the interest of the Fund (as provided for in Section F above); and supplemental financing for exceptional, temporary workload pressures (as provided for in Section I above). ~~at 1 percent of the net OED budget at the beginning of the financial year, excluding previous carry forward amounts. At the end of the financial year (April 30), any unused portion of an individual OED budget that is not transferred to the carry forward account for that Office as provided in Section L will be transferred to that collective OED contingency reserve, which will remain available during subsequent years within the following limits—the total amount of the carry forward accounts of: (i) individual OEDs in the aggregate, and (ii) the OED contingency reserve may not exceed 20 percent of the aggregate OED net budget for the financial year beginning on May 1.~~

44. Offices of Executive Director may also seek supplemental financing from the OED central contingency reserve on submission of a request in writing to the CAM for review and recommendation the Executive Board for approval. Such requests shall be limited to circumstances in which an Office faces a need to appoint additional short-term personnel above its budgeted complement due to exceptional circumstances, as defined below.

Offices may submit requests to the CAM for supplemental financing from the OED central contingency reserve for this purpose subject to the following requirements:

- (i) The request relates to the need to appoint temporary additional personnel to maintain Office operations due to the absence of a regular Office employee due to parental leave (~~maternity leave, paternity leave, and adoption leave~~), emergency leave (including emergency family leave) or prolonged sick leave. In all cases, these absences should comply with the applicable leave policies for OED personnel, and where relevant, Fund staff, including requirements for documentation and Health Services Department (HSD) assessment). Resources may not be requested from the OED contingency reserve to cover short-term temporary staffing needs due to planned annual leave or home leave, which should be managed within the Office's allocated budget, or for additional personnel to cover workload relating to programs, nonfinancial arrangements, and Fragile and Conflict-Affected States.
- (ii) The Office has first sought to absorb these costs through redeployment of available Office budget resources (such as utilization of Group III discretionary personnel resources

for contractual or overtime, and/or drawing on Office carry forward balances). Requests shall be submitted only after these alternative avenues have been exhausted.

- (iii) The level of requested resources shall not exceed the dollar equivalent of 1 FTE Advisor.
- (iv) The duration of such access shall not exceed one financial year in total.
- (v) The Office shall not be permitted to submit a subsequent request for the same employee and the same purpose in the following financial year (i.e., the nature of the request must be one-off and exceptional).

45. The Office shall refund the OED center resources up to the approved amount of the loan from the OED **central contingency reserve** before being permitted to carryforward any unspent resources to the following financial year.

46. Such additional budget allocation may be conditional on the reduction of that Office's budget allocation for the next financial year. If the CAM does not support the request, the Executive Director in question may refer the matter to the Executive Board for its consideration.

O. Reporting

47. Each Executive Director will receive from staff a monthly statement comparing actual expenditures and commitments with budgeted amounts for all categories of expenditures (personnel, travel, and other discretionary items) for his or her Office. The staff will, over time, facilitate online monitoring of the budget accounts by each Executive Director's Office.

48. The Board will receive, at least quarterly, a comprehensive report on aggregate budget execution by OEDs covering the three categories of expenditures (personnel, business travel, and other discretionary items), as well as developments in the collective OED contingency reserve.

49. The CAM will monitor the budget execution and recommend measures as necessary to enable individual OEDs to fulfill their needs for budgetary resources while remaining within applicable budget constraints.

P. Delegation of Authority to CAM Chairman

50. **Authority to approve OED collective expenses up to \$50,000:** The Chairman of the CAM is authorized to approve expenditures on collective OED expenses up to a dollar limit of \$50,000 per expense.

51. **Authority to recommend access to OED Contingency Reserve up to \$50,000:** The Chairman of the CAM is authorized to recommend the allocation of up to \$50,000 of the OED contingency in the final month of the financial year to meet Directors' requests. In exercising this

discretion, the Chairman of the CAM shall evaluate Directors' well-justified requests for contingency financing on the basis of the existing criteria for consideration of such additional budget allocations. Any such recommended allocations of contingency resources by the CAM Chair shall be reported to the Executive Board, for approval. In the absence of an objection to the Secretary within one business day of the report's issuance to Executive Directors, the Chairman's recommended allocations of OED contingency financing to requesting Directors will be deemed approved by the Executive Board.