EXECUTIVE BOARD MEETING

EBAP/20/30

CONFIDENTIAL

March 24, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **FY2021–FY2023 Medium-Term Budget**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Monday, April 27, 2020**
Proposed Decisions:	Pages 40–41
Publication:	Proposed
Additional Information:	The FY 2021-FY2023 Medium-term Budget paper incorporates updates to the preliminary proposals discussed by Executive Directors in an informal session held on March 2, 2020 (FO/DIS/20/27). The main revisions include: (i) updates for the impact of the Covid-19 outbreak; (ii) the proposed Capital Investment Framework; and (iii) details on the CCBR and HR Reorganization, including revisions to the budget deflator. A red-lined version of the paper is also attached. Given the highly dynamic situation, staff will issue a supplement with any relevant updates closer to the Board date.
Questions:	Mr. Schimmelpfennig, OBP (ext. 34663) Ms. Ulmschneider, OBP (ext. 34718) Ms. Kongsamut, OBP (ext. 34541)

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FY 2021-FY 2023 MEDIUM-TERM BUDGET

March 24, 2020

EXECUTIVE SUMMARY

The FY 21 budget is set in a fast-moving and exceptionally uncertain global context. The ongoing Covid-19 outbreak demands urgent, coordinated actions by the Fund, its members, and other partners. The Fund has pledged to do whatever it takes within its mandate to contribute to the global Covid-19 crisis response and is mobilizing its teams and broader resources to do so. The budget impact will need to be reviewed as needs become clearer. Looking ahead, the membership faces longer-term challenges, including from technological change, inequality, social tensions, and climate change.

The FY 21 budget sets out the baseline for the Fund's continued efforts to redirect resources to meet the membership's changing priorities. Recognizing that crisis response will take first priority, the Fund will continue its work to support members in enhancing resilience while addressing social and developmental challenges, including in fragile states. Increasing emphasis on integrating capacity development with the Fund's surveillance and lending work will also support these priorities. Analytical and policy work will look at the global implications of the crisis and its impact on the Fund's work, while further zooming in on the macroeconomic and financial impact of climate change, fintech, cybersecurity, inequality, lower-for-longer, trade frictions, and the Integrated Policy Framework. Key Fund policy reviews planned for FY 21 include data provision for surveillance purposes, delayed Article IVs, the Catastrophe Containment and Relief Trust, Debt Sustainability for Market Access Countries, and debt limits, as well as the implementation of the Comprehensive Surveillance and FSAP Reviews.

FY 21 is also marked by ongoing modernization efforts and transition. The budget takes into account the Comprehensive Compensation and Benefits Review and accommodates large transitional costs for reforms to the Fund's HR and information technology service delivery models, as well as large business modernization projects. The proposed capital budget covers these modernization efforts, as well as facilities-related needs. An update to the Capital Investment Framework is proposed to recalibrate governance and procedures in line with the changing landscape for capital investment.

The baseline budget proposal maintains a flat real resource envelope. With virtually full budget utilization and upfront allocation of available temporary resources, budgetary buffers have been reduced and the extraordinary uncertainty from the crisis will require further consideration as the needs coming out of the crisis become clearer. The Fund will continue to look for efficiency gains and reallocations to fund urgent needs and new priorities. In the context of the Covid-19 driven crisis, non-urgent work will also be deferred. Over the medium-term, structural savings from modernization projects will also create some budget space.

Approved By
Michele Shannon

Prepared by an Office of Budget and Planning team led by Piyabha Kongsamut under the supervision of Axel Schimmelpfennig, and Gisela Ulmschneider, with contributions from Gillian Adu, Rebecca Brofft, Melanie Burke, Raquel Chuayffet, Angeliki Economopoulos, Sepideh Khazai, Anika Shtuni, Justin Tyson, Muriel Vimond, Barrie Williams, and Jiu Hong Zhou.

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1. **The FY 21 budget is set in a fast-moving and exceptionally uncertain global context.**

- The ongoing Covid-19 outbreak, and the related impact on real activity and markets, have injected extraordinary uncertainty into the global outlook. This is particularly challenging for countries with weaker health systems and response capacity, including those with vulnerable external, fiscal, and financial sector balance sheets. The Fund, working together with other international bodies, is mobilizing to respond to members' needs in an agile way, including with financing, where needed.

- The global economy is characterized by increased uncertainty beyond the crisis, with the membership facing challenges on various fronts, including rapid technological change, rising inequality and social tensions, and the increasingly urgent call to address climate change. A re-examination of fundamental macroeconomic relationships continues a decade after the global financial crisis in the context of a sustained low interest rate environment and rising debt, with the need for attention to deep structural trends that present risks for the longer term.

2. **The baseline FY 21 budget reflects evolving priorities defined by the membership.** Recognizing the need to remain agile in addressing the needs from the crisis, the FY 21 budget takes as its starting point the membership's priorities as laid out in the Managing Director's Fall 2019 Global Policy Agenda, the Fall 2019 IMFC Communiqué, and the Executive Board's December 2019 Work Program to:

- Turn evidence-based analysis into actionable policy recommendations to make economies more resilient and inclusive,
- Contribute to improving the multilateral system and upgrading international cooperation to bring the benefits of integration to all,
- Modernize the Fund's policy toolkits to meet the challenges of a fast-changing world, and
- Safeguard the Fund's financial strength and undertake an ambitious internal modernization agenda.

3. **The Fund has maintained a flat real budget for the past eight years**—excluding a $6 million security related increase in FY 17—supported by robust efforts to identify savings to fund new spending priorities.[1] At the same time, enhanced budgetary procedures have increased execution to near 100 percent of approved budgets since FY 18. Ambitious internal modernization efforts are expected to yield further efficiency gains and savings over the medium term, creating room to take on new challenges. In the short term, more resources are needed to support related transition costs.

[1] Key budget concepts and deflator methodology are described in Appendix I and Appendix II. See Appendix III for technical assumptions underlying the formulation of the FY 21 budget.

4. **Recognizing that the budget impact of the crisis will require further time to assess, the baseline FY 21 budget proposal maintains a flat real envelope.**

- The proposed net FY 21 administrative budget of $1,158 million in constant FY 20 dollars (Table 1) represents a continued flat real resource envelope.[2] In nominal terms, the proposed net administrative budget is $1,186 million. The nominal budget reflects a change in the calculation of the Fund's Global External Deflator (GED) to equal projected U.S. CPI inflation as published in the most recent World Economic Outlook.[3]
- While also subject to an unusual level of uncertainty, the FY 20 budget outturn is projected to remain within the approved structural level (Appendix IV). As such, the maximum carry forward of $32.3 million—and an additional $15.1 million for the Office of Executive Directors (OED) and $0.3 million for the Internal Evaluation Office—would remain available.[4] In addition, as part of streamlining efforts, the Executive Board has decided that an amount equivalent to the OED FY 2020 central carry forward shall be made available for the Fund's general administrative budget. This amount is currently estimated to be $4.7 million, raising the total carry forward for the general administrative budget to $37 million. Final amounts will be established as part of the year-end closure of the financial books.[5]

5. **Some capacity development (CD) needs are met by external financing sources.** Donor support is proposed to finance $206 million in capacity development (CD) activities—in addition to $143 million in Fund financing for CD—aligned with the Fund's strategic priorities. Together with other receipts, this would bring the gross administrative budget to $1,429 million in nominal terms.

6. **The capital budget is expected to be broadly in line with that projected in the FY 20-22 budget.** For FY 21, the proposed capital budget is $98½ million in current U.S. dollars. This paper also proposes an update to the Fund's Capital Investment Framework.

- Facilities: The proposed budget of $42½ million supports mainly end-of-life-cycle replacements, including for furniture, audio-visual equipment, and HQ1 building equipment.
- IT: The proposed budget of $56 million supports 1HR and the Capacity Development Management and Administration Program (CDMAP) implementation, replacement of the Fund's document management system, the start of iDATA's implementation, and preliminary work on the integrated digital workplace (IDW), as well as enhanced Information security and a portfolio of smaller projects focusing on critical replacement and targeted upgrades.

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[2] Subject to the approval by the Executive Board, the budget envelope assumes an unchanged net administrative budget for the Independent Evaluation Office (IEO) as well as for the Offices of Executive Directors (OED), except for a reduction of $2.4 million from OED that is available to the Fund's general budget to meet institutional priorities (EBAP/20/24, March 6, 2020).

[3] Appendix II details procedures that will be applied to implement the new methodology.

[4] Accumulated through previous underspending and projected to be available to meet transitional needs in FY 21.

[5] Total streamlining efforts (structural and transitional) of the OED amounted to about $7 million, which are incorporated in the budget proposal to help meet institutional priorities. See also *OED Budget Framework—Proposed Streamlining of OED Central Budget Accounts* (EBAP/20/24, dated March 6, 2020).

Table 1. Administrative and Capital Budget Envelopes, FY 21-23

(Millions of U.S. dollars, unless otherwise noted)

	FY 20		Budget changes			Proposed	Indicative	
		Est.			Donor	FY 21	FY 22	FY 23
	Budget	Outturn	Demands	Savings	financed	Budget	Budget 1/	Budget
Constant FY 20 USD								
Gross administrative budget	1,397	1,383	41	44	6	1,400	1,411	1,409
Receipts	-239	-225	3	0	-6	-242	-246	-251
Net Administrative Budget	1,158	1,158	44	44	-	1,158	1,164	1,158
of which Annual Meetings							*6*	
Capital Budget (IT and Facilities)	86	80				96	84	86
Current USD								
Total operational income	3,410	3,088				2,654	3,267	2,331
Gross administrative budget	1,397	1,383				1,429	1,469	1,496
Receipts	-239	-225				-243	-248	-254
of which: externally-financed	*-200*	*-191*				*-206*	*-210*	*-215*
Net Administrative Budget	1,158	1,158				1,186	1,221	1,243
Capital Budget (IT and Facilities)	86	80				99	88	92
Memo items:								
Carry forward (upper limit) 2/	47	...				48	...	...
Global external deflator (change) 3/	2.6	...				2.4	2.4	2.3
Personnel component (70 percent)	2.7	...				...	...	...
Non-personnel (30 percent)	2.3	...				...	...	...

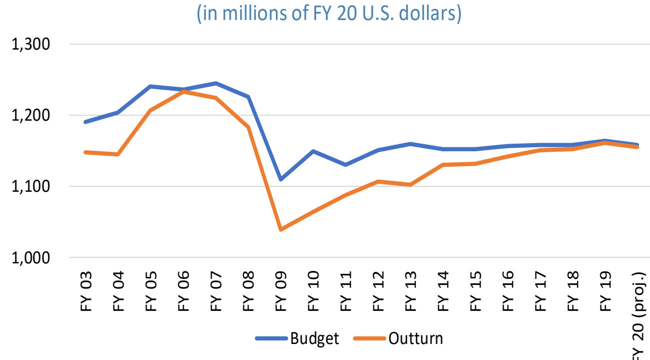
Source: Office of Budget and Planning.
Note: Numbers may not add to totals due to rounding.
1/ Includes travel to the Annual Meetings held abroad.
2/ Carry forward is subject to actual spending in the preceding year and therefore not projected for FY 22-FY 23.
3/ Starting in FY 21, GED is equal to the most recently published WEO projection for U.S. CPI. See Appendix II.

7. **The budget is fully funded by operating income.** The Fund's operational income is currently projected at $2,654 million, well above budgeted spending in FY 21 (these figures will be updated in the forthcoming *Review of the Fund's Income Position for FY 2020 and FY 2021-2022* paper).

BUDGET EVOLUTION OVER THE LAST DECADE

8. **Over the last decade, the Fund's budget has evolved to meet changing needs, while fostering spending efficiency and safeguarding financial sustainability.** Since FY 12, the Fund's structural budget has been kept flat in real terms. This followed a period of budgetary consolidation prior to the global financial crisis, and one of measured increase thereafter to address the crisis and support the Fund's enhanced role in safeguarding global economic and financial stability. Overall, the Fund's budget today is about 7 percent lower in FY 20 dollars than its pre-crisis level in FY 07.

Net admininistrative budget and outturn, FY 03-20
(in millions of FY 20 U.S. dollars)

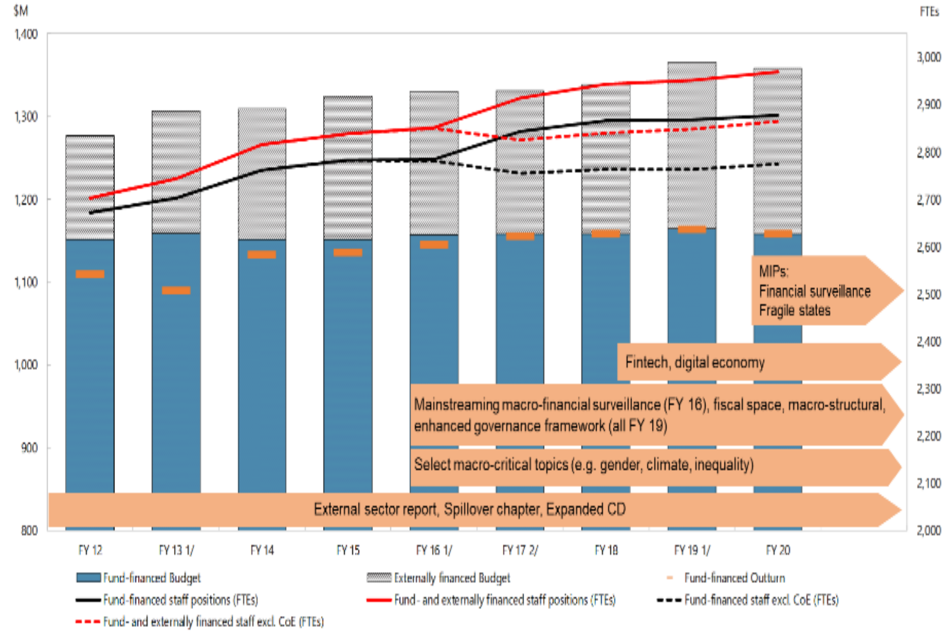


Source: FACTS, Office of Budget and Planning.

9. **Within the flat real budget envelope, Fund activities have shifted in a rapidly changing world** (Figure 1). Reflecting lessons from the global financial crisis, the Fund introduced the External Sector Report, deepened its spillover work, and strengthened the underpinnings of policy advice on macro-financial issues. It took on new emerging macro-critical issues, in particular, macrostructural policies to foster growth, fiscal space, and governance, climate change, inequality, and digitalization. In addition, the Fund has increased its focus on fragile and conflict-affected states (FCS) and expanded its CD delivery significantly, increasingly supported by donor financing. Internal support activities have also increased, reflecting greater investment in knowledge and risk management, upgrading of data management tools, as well as pressures from IT and physical security. The Fund also enhanced and expanded its communication efforts, to understand better the concerns of members and stakeholders, and to convey the IMF's advice in a more impactful way. As the Fund responded to these evolving priorities, it continued to improve its tools to report on activities, with tracking work on specific topics often being done through ad-hoc surveys (Appendix V).

Figure 1. Doing More Within a Flat Real Budget Envelope

(FY 12-FY 20, in millions of FY 20 U.S. dollars, unless otherwise noted)



Source: Office of Budget and Planning
1/ Includes additional resources for Annual Meetings held abroad.
2/ Includes $6 million earmarked for security.

10. **Staffing has grown by around 250 FTEs since FY 12, including externally financed positions.** Close to 100 additional staff positions were financed through administrative measures, e.g., real erosion in travel budgets, release of central margins, and other savings from efficiencies in departments. Over 50 additional positions were funded by donors, helping to support expansion in CD activities. Moreover, 120 FTEs were added in FY 16–18 through implementation of the Categories of Employment (CoE) reform for work previously staffed by contractual employees, with a small number of positions added in FY 19-20. In parallel, the Fund has increased its field presence. Since FY 12, the number of resident representatives, experts, and staff in regional capacity development

centers has increased over 40 percent. Combined with local staff, the Fund has some 900 staff in 114 offices, more than half of which are in low-income countries and fragile states.

11. **The Fund's ability to respond nimbly to changing needs has been supported by:**

- **Strengthened execution.** Utilization of the Fund's administrative budget has increased to near 100 percent, supported by enhanced budget procedures. This includes provisions to carry forward a portion of unspent resources into future years, providing a buffer that has facilitated high execution in recent years.

- **Increased donor funding.** External funding has doubled since FY 12, now supporting about 60 percent of the Fund's CD operations. This funding, coupled with an increase of the Fund's own resources, has underpinned the ramp up in CD to about a third of Fund activities.

- **Modernization and streamlining.** Reprioritization efforts have been supported through centralized streamlining exercises. A $20 million package of measures, agreed as part of the FY 16 medium-term budget, focused on streamlining a range of multilateral surveillance outputs, moving most regular policy reviews to five-year cycles, reducing the frequency of country program reviews and post-program monitoring, and reducing funding for technical assistance available to advanced economies. In mid-2018, a follow-up modernization and streamlining review proposed measures across a wide range of Fund activities, most of which have been implemented or folded into ongoing modernization efforts (Appendix VI).

- **Reprioritization.** The discipline of a flat real budget environment has also driven a multi-pronged effort to identify opportunities for efficiencies. As part of the broader strategic planning framework (Box 1), a structured annual exercise was introduced in FY 16 to identify savings, leading to a broad range of measures across departments (Box 2).

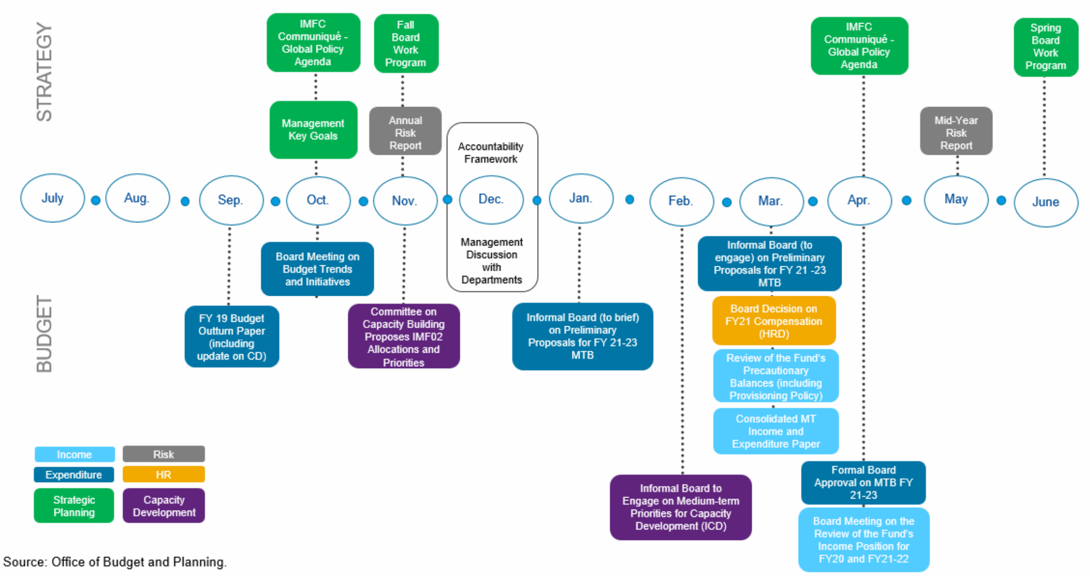
12. **Shifts in the Fund's priorities have been reflected in reallocations across departments** (Figures 2 and 3). Since the global financial crisis, Fund-financed resources have stabilized in area departments as program work eased, and have grown in functional departments (SPR, RES, FIN, and COM).[6] Since FY 12, the share of CD-delivering functional departments in total resources has increased significantly (particularly FAD), mainly driven by the significant growth in CD financed by donors. The share of the four main support departments (CSF, HRD, ITD, SEC) has risen over this time, reflecting spending pressures on physical and information security, and provision of support services that are more integrated with business needs (e.g. creative services, enhanced campus facilities, annual and spring meetings).

[6] The FY 17 reduction in area department budgets reflects centralization of payments for overseas allowances.

Box 1. The Fund's Budget Process

Strategic Framework: The budget process is part of a broader strategic planning framework incorporating activities on strategic prioritization, risk management, and financial and budget management. The starting point for the annual budget exercise is the membership's priorities as expressed in the Managing Director's Global Policy Agenda, the IMFC Communiqué, and the Board Work Program. Together, these priorities guide the focus of bilateral and multilateral surveillance, policy and analytical work, CD, and internal reforms. The budget process also takes on board input from periodic policy reviews and evaluations.

Strategic Planning Cycle



Source: Office of Budget and Planning.

Reallocating resources: Redirection of resources mainly takes place within departments and existing workstreams. The budget process itself translates priorities into reallocations across departments and outputs as needed. This is conducted through a "savings and demands" exercise. Departments, in consultation with OBP and management, identify where additional resources are needed to respond to the membership's needs and management's guidance. In recent years, these gross reallocations, along with central savings and modernization, have amounted to about 2-4 percent of the administrative budget. For FY 21, departments identified further measures—in addition to the savings and demand process—as contingency savings that could be tapped as needed.

Link to other budget-related issues: In parallel, the Board reviews the income and expenditure position, staff compensation, and the capital budget. In FY 21 the Fall Committee on Capacity Building (CCB) established stronger links with the budget process and a Board briefing on the implementation of CD priorities has been added.

Transitional Funding: New priorities are often initially accommodated through transitional resources and absorbed into structural resources in subsequent years. For example, a small amount in transitional resources was provided for anti-corruption/governance work beginning in FY 18. As the enhanced governance framework was adopted, resources were increased in FY 19 with a 60–40 percent mix between structural and transitional. In FY 20, the share of resources for anti-corruption/governance provided on a structural basis was increased further to 80 percent. This approach allows new priorities to be absorbed into the structural base over time, as savings in other areas create room.

Box 2. Examples of Departmental Savings Measures

Departments have undertaken measures from fundamental changes in the way they work to more targeted one-off measures with small impact individually but significant cumulative effects. Examples include:

Country work/Analytics:

- Strengthened rigor in shifting country-by-country resourcing (numbers and levels) in line with changing circumstances (e.g., vulnerability; program status).
- Reduced field presence where program engagement has wound down (e.g., consolidation or closure of European field offices post crisis), with increased field presence where new programs were being put in place or to support CD (e.g., RTAC serving Central Asia, Caucasus and Mongolia, CCAM).
- More selective and focused use of Selected Issues Papers, as well as Staff Discussion Notes, with a stronger link to Fund and member priorities.
- Cross-departmental coordination on analysis and operationalization of work on emerging issues to avoid overlap and ensure knowledge and experience sharing. Interdepartmental working groups and committees, as well as country piloting, play a key role in this regard (e.g., Surveillance Committee; CD-Surveillance Integration Working Group; Gender; Fiscal Space; Macro-structural; and Inequality Pilots).
- Continued shift to more focused country review, e.g., covering a narrower set of vulnerable or systemic countries, focusing on key topics, or lighter review for staff reports after full review of policy notes.
- Reduced travel through more targeted missions, greater remote engagement, and advanced ticketing.

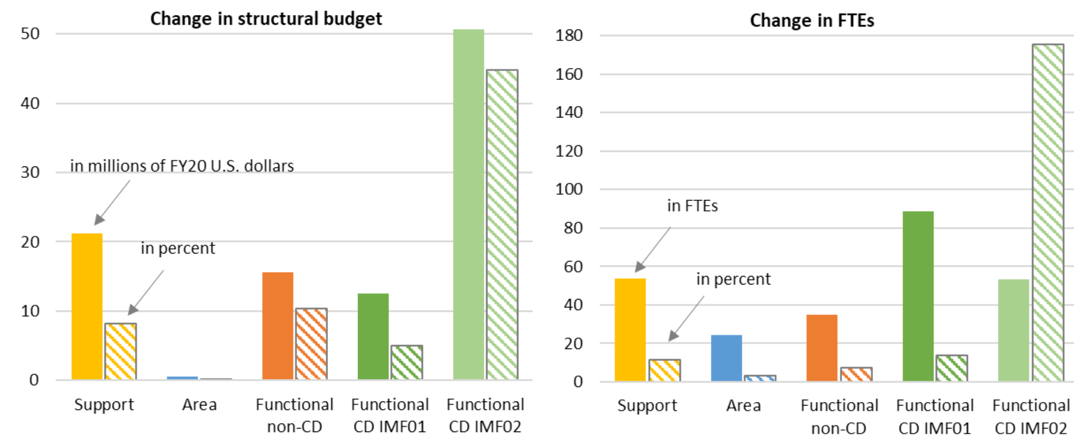
Policy:

- Sequenced policy reviews on related topics to minimize bunching for relevant staff.
- Paced policy reforms consistent with available resources (e.g., standard five-year cycle for policy reviews, paced CD-Strategy review implementation agenda).

Services:

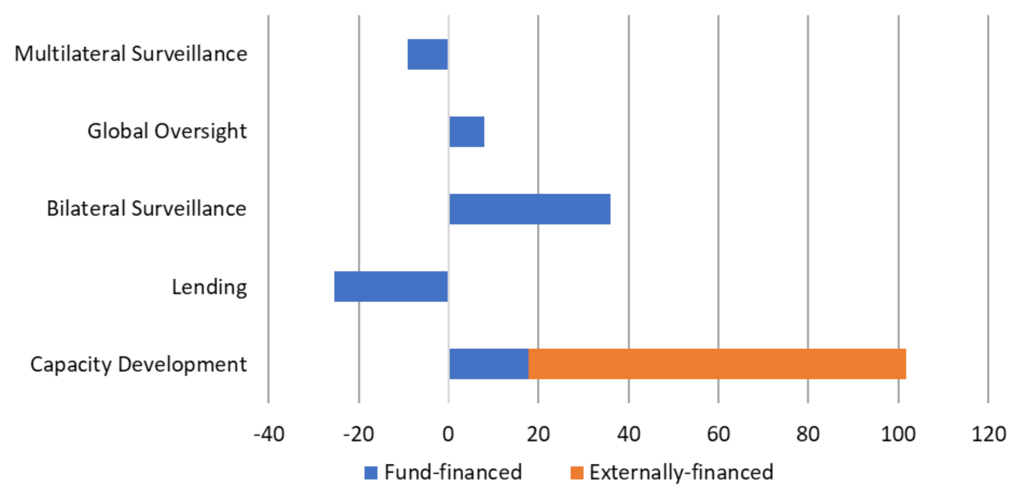
- Outsourced or reduced services (e.g., ground transportation; reduced direct overseas residential real estate support; switch from print to online publications); rationalization of data subscriptions and contract renegotiations (e.g., mail services).

Figure 2. Change in Structural Budgets and FTEs by Department Type, FY 12-20



Source: Office of Budget and Planning.
Includes donor financing.
Resources in area departments and functional CD (MCM) adjusted by about $14.5 million during FY12-16 due to a shift in payment of overseas allowances to central accounts that happened in FY17.
Support departments include TGS from FY12-16 (split into CSF and ITD starting in FY17), HRD, SEC, OBP, OIA, and, from FY15, ORM.

Figure 3. Change in Budgetary Resources by Output, FY 12-20[1/]
(Millions of FY 20 U.S. dollars)



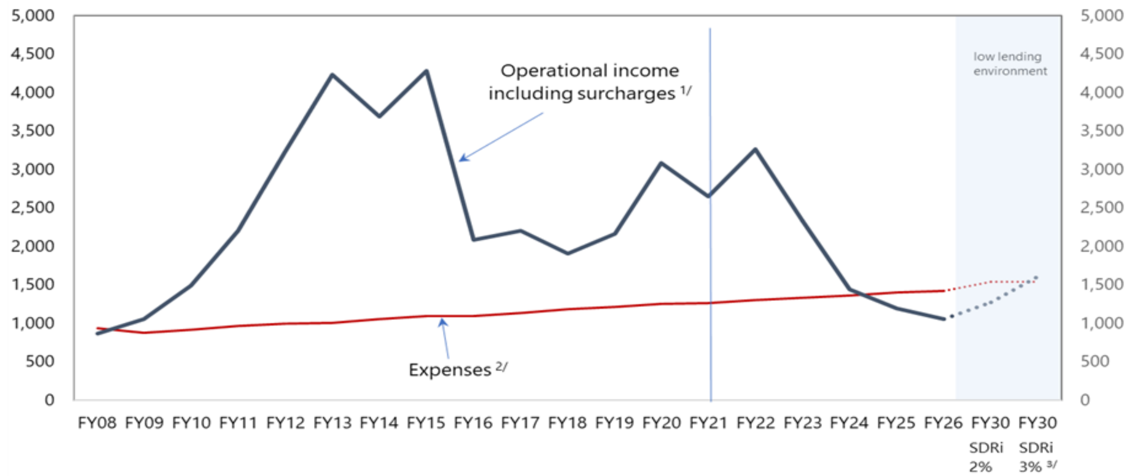
Source: Office of Budget and Planning, ACES.
1/ Excludes support and governance costs.

13. **Maintaining a flat real budget has supported the IMF's long-term financial sustainability.** Fund income has fluctuated, reflecting changes in the use of Fund resources. In FY 20, operational income remains well above administrative expenses. Looking ahead, a conservative scenario of low program engagement implies that the income position will not be a binding constraint in the medium term. The scenario in Figure 4, demonstrates how income would evolve based on scheduled disbursements (and lending income) related to current arrangements, but with no new arrangements as a conservative exercise to assess financial sustainability. In this

scenario, the fall in operational income reflects mainly the sharp rise and size of scheduled repurchases in coming years and the corresponding drop in average credit outstanding from about SDR 68 billion in FY 21 to SDR 33 billion by FY 24. In light of the ongoing uncertainties staff will update the income projections in the forthcoming *Review of the Fund's Income Position for FY 2020 and FY 2021-2022* paper, which will also provide additional information on the sensitivity of income to changes in program and interest rate assumptions.

Figure 4. Income and Expenses: Low-lending Scenario

(FY 08-FY 30, in millions of U.S. dollars)



Source: Finance department

1/ Operational income including surcharges excludes IAS 19 gains and losses, and includes investment income from the Fixed-Income Subaccount and payouts from the Endowment Subaccount. The endowment payout is indicative and assumes a constant payout of 1 percent of the NAV (in US$) starting in FY 2021, adjusted for inflation in the following years.

2/ Assumes that the net administrative budget is held constant in real terms.

3/ The illustrative scenarios in FY 2030 assumes SDR interest rate of 2 to 3 percent and payouts of 1 to 1.5 percent of the NAV, credit outstanding to be SDR 20 billion, precautionary balances at SDR 15 billion, and the premium on investment return equal to 50 basis points.

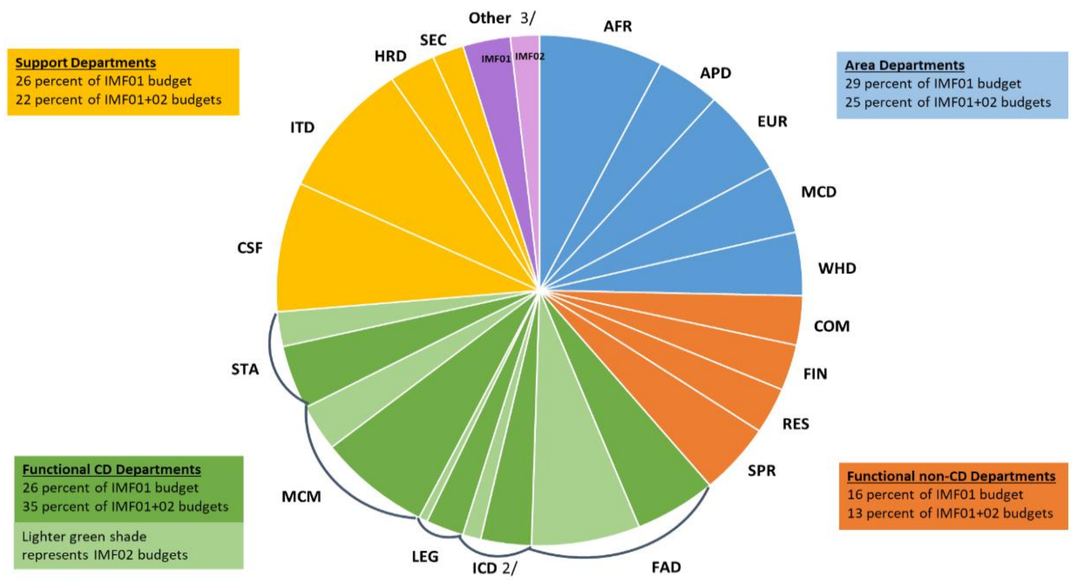
14. **Implementation of the FY 20 budget was broadly on track through end-February** (Appendix IV). Resource reallocation in FY 20 supported work on the enhanced governance framework and macro-financial surveillance, as well as support for key policy and analytical initiatives (i.e., trade, digital economy, public debt, and international taxation). Spending through the first half of the financial year relative to the same period last year suggests a shift from bilateral surveillance to lending, with program-related work intensifying in AFR and WHD. An increase in externally financed CD spending is also envisaged through strengthened utilization of available resources, within the approved gross limit. Activity on flagships is projected to increase, as is broader analytical work, partly driven by spending on fintech and cybersecurity related projects, as well as work on monetary and financial policy. Internal support spending is expected to be slightly higher than budgeted, driven by institutional change and modernization, including the now-completed Comprehensive Compensation and Benefits Review (CCBR). Spending on personnel, buildings, and other services is projected to be higher than budgeted but has been offset by a considerable underspend on travel.

15. **The ongoing Covid-19 outbreak will affect the FY 20 budget outturn.** Some cost reductions will result from the decision to hold the Fund-Bank Spring Meetings on a virtual basis and due to cancellation of staff travel, with a projected reduction in travel by some 500 missions

(Fund-financed) as of mid-March. These budgetary savings will be at least partially offset by a temporary increase in evacuation costs for field-based staff, intensification of Covid-19 related work, support for remote working, and an increase in resourcing for IT and broader institutional reforms. The baseline projection has shifted to suggest some underspend, though this remains uncertain. The full carry forward is expected to remain available for FY 21.

Figure 5. Distribution of Budgetary Resources by Department, FY 20[1/]

(in percent of total Fund- and donor financed budgets)



Source: Office of Budget and Planning.

1/ Departmental spending, including donor financed, as a share of total, excluding central resources, OED, and IEO.

2/ ICD also includes the Joint Vienna Institute and Singapore Training Institute.

3/ Includes for IMF01: Office and Budget and Planning, Office of Risk Management, overseas offices, Office of Internal Audit, Administrative Tribunal Office, Secretarial Support, Office for Asia and the Pacific, Office in Europe, the Ombudsman, the Mediator, Ethics, Grievance, Economic Data Team, Investment, HQ1 Task Force, Knowledge Management, Innovation Lab, and the Independent Investigator. For IMF02: some overseas offices and training institutes not included in ICD (see footnote 2).

16. **Area and functional departments account for about 80 percent of budgeted resources in FY 20, including externally financed funding** (Figure 5).[7] Area departments represent around 25 percent of the budgeted resources. The 35 percent share of functional CD departments (FAD, ICD, LEG, MCM, STA) reflects in part the growth of CD, which now accounts for about 40 percent of overall spending in these departments. In this context, external financing now accounts for a significant share of functional CD department budgets—e.g., 57 percent in FAD—and 16 percent of the total Fund budget. Non-CD functional departments (SPR, RES, FIN, COM) account for 16 percent of the Fund's budget. The four main support departments (CSF, HRD, ITD, SEC) represent about a quarter of budgeted resources.

[7] Excluding Offices of Executive Directors.

PROPOSED FY 21 ADMINISTRATIVE BUDGET

A. Priorities

17. **The FY 21 budget continues to redirect resources to meet the Fund's priorities, including the near-term exigencies related to the Covid-19 outbreak.** Some lower priority areas will be rephased, depending on the demands on the Fund to assist members with managing the evolving crisis.

- ***Country operations:*** The top priority is to support member countries as they work to manage the impact of the Covid-19 outbreak and the related economic and financial market turbulence, in particular, but not only, in countries with weak external, fiscal, and financial sector balance sheets. In addition, the Fund will continue its work to enhance resilience and address social and development challenges to secure sustainable and inclusive growth and employment. Priorities include fragile and conflict-affected states (FCS), the enhanced governance framework, and financial surveillance. A complementary prioritization exercise is undertaken for the Fund's CD operations (Box 3).
- ***Analytical and policy work:*** Continued focus on the global economic and financial impact of Covid-19. Increased recognition of the macroeconomic and macro-financial impact of climate change; fintech (including digital currencies), cybersecurity, and inequality; the impact of sustained low interest rates; trade; and development of an Integrated Policy Framework. Work in these areas will be supported through reallocation of departments' existing budgets, as well as new resources provided in the FY 21 budget.
- ***Key reviews planned for FY 21 include*:** data provision for surveillance purposes, delayed Article IVs, the Catastrophe and Containment and Relief Trust (CCRT), Debt Sustainability for Market Access Countries (MAC DSA), and debt limits. These reviews are primarily financed by reallocating resources from completed/near completed reviews (e.g. Comprehensive Surveillance Review, or CSR, conditionality) to new reviews.
- ***Modernizing the Fund:*** The CCBR, completed in December 2019, introduces reforms to ensure that the Fund's compensation and benefits package can attract, motivate, and retain a high-caliber international staff.[8] The reforms are expected to be broadly budget neutral in FY 21 (Appendix VII). Work on other large modernization projects will continue. Most of these projects are in early stages, with temporary costs in the short term but with significant savings expected in the medium term.

[8] The recommendations of the CCBR include more targeted measures to support competitiveness, which could include recruitment incentives for premium skills, higher pay increases at promotion, and programs aimed at enhancing recruitment of staff from under-represented regions. Additional investment in human capital development (such as technical and managerial training) and programs to facilitate mobility and rotation are also under consideration. Work is underway within HRD on these issues. Future budget reporting will set out proposals for these measures.

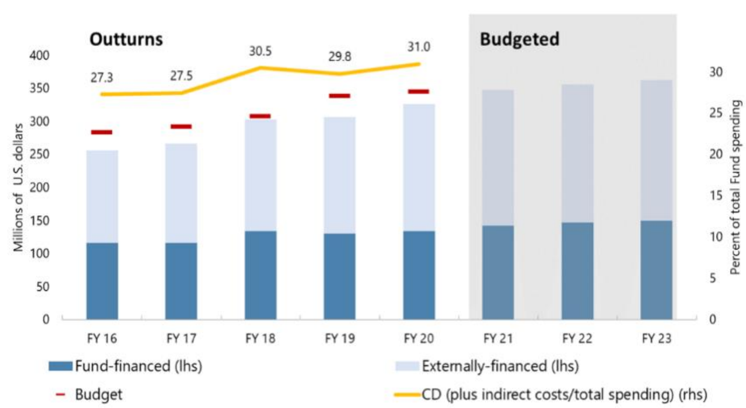
Box 3. CD Prioritization and Budgeting[1]

The framework for CD budgeting and prioritization continues to mature. Following the 2018 CD Strategy Review, it has been further strengthened and streamlined in the current cycle by developing high-level resource envelopes as part of the CD budget process. This framework will guide the more detailed resource allocation process and a separate discussion on fundraising implications.

The process has the following main features:

- The budget process **establishes total resources for CD**, including an envelope for externally financed activities and resources made available by CD departments within their Fund-financed budgets.
- In the fall, the CCB **reviews CD priorities and areas targeted for growth** for the coming three-year period; discusses indicative allocations to workstreams, regions and these "growth areas"; and sets the departmental spending limits on externally financed CD activities.

CD Spending, FY 16-23



Source: OBP FACTS data, Analytic Costing and Estimation System (outturns), and staff estimates based on medium-term resource allocation plan discussions (budgeted), as of December 2019.
Note: Fund-financed and externally financed spending, excluding support and governance (indirect costs).

- In the spring, the CCB **considers fundraising needs** to support implementation of agreed priorities and budgets.
- CD and Area Departments **agree detailed delivery plans**, in line with priorities. Resulting medium-term projections are discussed by Department Heads and approved by Management early in the financial year.

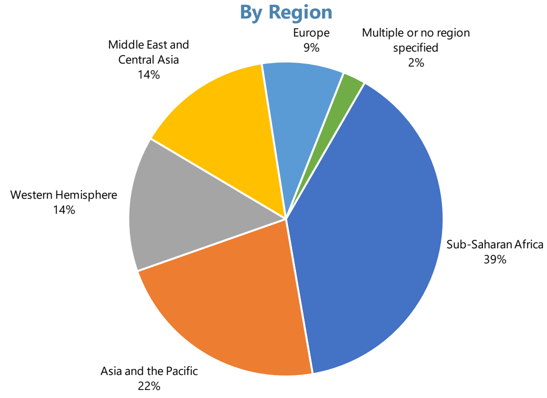
This annual cycle is to be underpinned by the implementation of CDMAP which is scheduled to go live during FY 21 and to complete roll-out during FY 22.

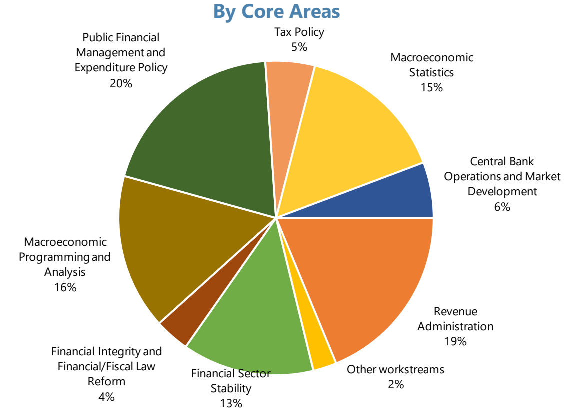
The prioritization framework ensures that the Fund delivers CD in its core areas of expertise. Thus, these areas will continue to represent the bulk of the Fund's CD spending. The indicative medium-term allocations discussed by the CCB, which integrate existing commitments, expected new country demands, as well as changing institutional and area department priorities, show some changes in delivery composition between FY 19-23. Notably:

- In revenue mobilization, a shift from revenue administration towards tax policy.
- A shift in delivery to AFR and MCD countries, given the focus on low-income and fragile states.

Box 3. CD Prioritization and Budgeting (concluded)

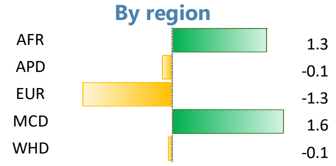
Planned CD Spending, FY 23





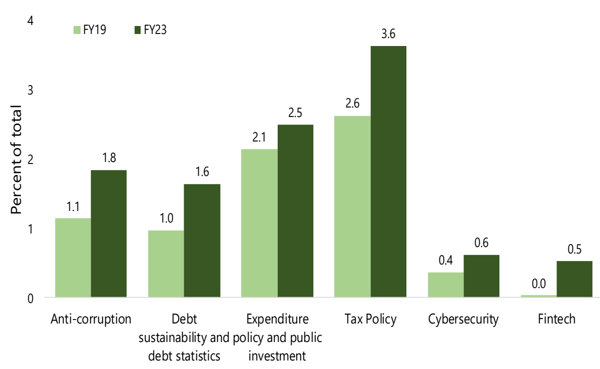
Change in Share of Direct CD Delivery, FY 19-23

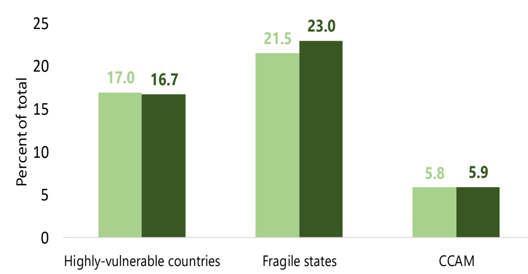
(percentage points)



The fall 2019 CCB reviewed the set of narrower CD "growth areas" within these core areas where an increase in the share of CD over the medium term is being targeted. Almost all topical and country groupings areas are planned to grow over the medium term. The CCB also added climate change as a "growth area", reflecting its importance to members.

Planned Increase in Share of CD on "Growth Areas", FY 23





Source: Staff estimates based on ACES/TRACES (FY 19 outturn) and medium-term resource allocation plan discussions (FY 23 plan), as of December 2019.

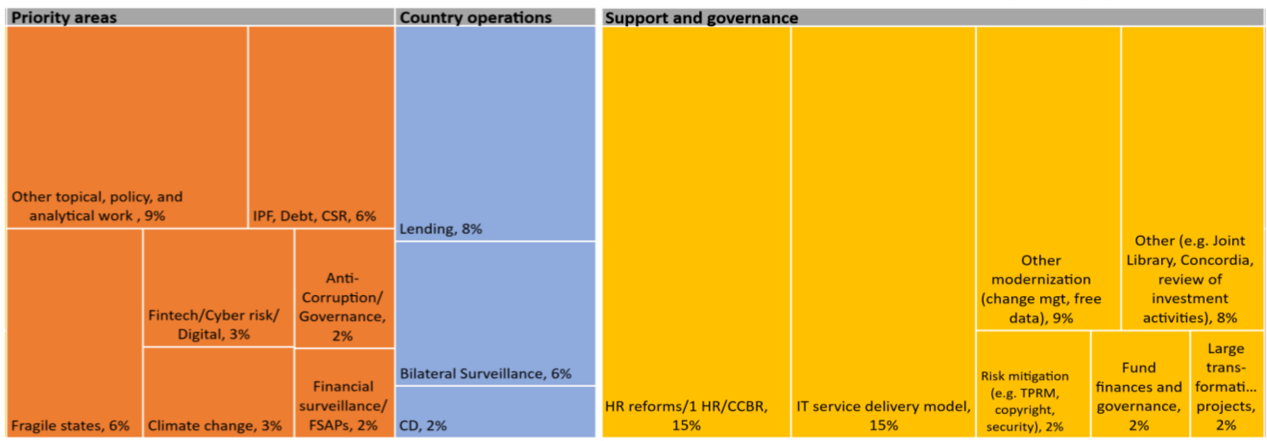
[1/] Prepared by ICD.

B. FY 21 is a Year of Transition

18. **The proposed baseline FY 21 net administrative budget is flat in real terms.** Gross new demands of $81.2 million (structural and transitional) would be funded through reallocating within and across departments, holding the travel budget constant in nominal terms (as has been done for the past six years), and other streamlining efforts. Transitional demands would be accommodated through a higher upfront allocation of carry forward resources, as well as other one-off central resources. At the same time, $5 million of the available carry forward for the general budget will be reserved.

Figure 6. Gross New Spending by Themes

(structural and transitional resources, $81.2 million)



Note: In some areas, there is a natural overlap across priority areas. e.g., the Fund looks at climate change as well as the financial sector in fragile states. In cases of overlap, the demand is allocated to the respective priority area.

19. **FY 21 can be characterized as a year of uncertainty and transition.** The uncertain impact of the Covid-19 related crisis will require a nimble response and close budget monitoring (Box 4). At the same time, resource costs of HR reforms, the ITD Service Delivery Model and large modernization projects entail large transitional costs in FY 21, accounting for some 53 percent of gross new spending. However, the associated structural savings from the HR reforms offset these costs on a net basis and have been allocated largely to new priority topics and country operations. Indeed, significant new spending is programmed for core activities to address direct needs of the membership. On the capital side, substantial investment is needed to support modernization projects in the short term, along with investment in the risk and information security infrastructure. Work continues to ensure that risk mitigation efforts are appropriately coordinated and resourced and that budget risks are also fully recognized.

Box 4. Impact of Covid-19 Outbreak on the Budget

The budgetary impact of the Covid-19 outbreak in FY 21 remains difficult to forecast. Departments are redirecting resources within existing envelopes to address urgent needs arising from the crisis on the global economy and member countries, as well as operational impacts, such as increased reliance on remote work.

The Managing Director's Global Policy Agenda details the Fund's comprehensive response to the crisis, in collaboration with members and other partners. To date, functional departments have refocused resources on Covid-19 related analytical and policy work. SPR has taken the lead on macroeconomic and debt implications, as well as the policy response. RES is looking at global economic impacts, including effects on trade and global value chains, as well as low-income countries. MCM is focusing on the overall market impact, the appropriate supervisory response, and business continuity in financial institutions. FAD has initiated work on tax and expenditure policy and administration issues to help countries manage the Covid-19 impact. area departments, regional and country-specific analysis of the economic repercussions of the outbreak are underway, with emphasis on working with members to meet their needs. ORM and departments are updating and monitoring related risks, and support and service departments are rechanneling efforts to address operational and financial impacts of the crisis on the Fund.

The Fund has begun to receive requests for additional financial support. Following the Managing Director's statement regarding available financial support to Covid-19 affected countries, a significant number of member countries have expressed interest. Some of these cases would be augmentations of existing programs, and the remainder are requests for new, mainly short-term liquidity financing. Depending on the course of the crisis, more prolonged financing engagements may become necessary to assist member countries manage sustained fiscal, financial, and external fallout from the crisis.

Experience from past crisis periods demonstrates that resource implications will depend on the duration, severity and breadth of the crisis. Initially, new and substantial demands have been met through overtime of existing teams and temporary reallocation of staff. In the current case, for example, ICD is releasing economists with prior review experience to assist SPR with the expected increased review load for new programs. In country work, teams dealing with new program requests may receive support from other economists not involved in intensive surveillance or program engagements (as was the case in addressing the 2014-15 Ebola crisis in AFR and functional departments, when there was a temporary spike related to provision of emergency liquidity). Deferral of non-essential activities is also underway.

To the extent that resource needs are sustained, as was the case in the context of the global financial crisis, resources will need to be shifted to the new program cases and analytical/policy areas in a more structural manner. In this context, while there is significant variation, program countries on average have 2 additional full-time FTEs and, depending on the specific circumstances, direct part-time economist support from functional departments—mainly SPR, FAD, and MCM. Moreover, the Fund may need to set up a field presence and step up CD delivery related to core program needs. To the extent needs are broad-based, more forceful measures would be needed, including more significant delay of non-urgent work and, if other measures are exhausted, a call for additional resources. For CD, a sustained impact on travel could reduce delivery where virtual delivery is not feasible, potentially leading to lower-than-expected external financing of staff and reduced Trust Fund Management Fees. In sum, the current exceptional circumstances will require close, ongoing monitoring and agility in use of budgetary resources.

20. **The following three sections lay out details of the FY 21 savings and demand exercise**, which allowed for funding of baseline net new demands (net structural plus transitional) totaling about 4 percent of the Fund's administrative budget.[9] The first section considers allocation by priority area, the second by thematic category, and the third by department. As noted, this does not incorporate Covid-19 related effects.

C. Proposed Spending on Priority Areas

21. **Beyond the immediate crisis needs, the FY 21 administrative budget proposal provides resources to help fund the following priority areas (in gross terms, unless otherwise indicated** (Figure 7), reflecting, among other factors, the outcomes of recent policy reviews (Appendix VIII). The Board will have the opportunity to review proposals under the Comprehensive Surveillance and FSAP Reviews, including related costing, in summer 2020. The FY 21 budget provides additional funding for related issues (e.g., financial surveillance/FSAPs and climate change), with the outcome of these reviews to drive future budget allocations. For FY 21, key areas include:

- *Financial surveillance/Financial Sector Assessment Program (FSAPs):* $1.4 million, mainly to support related activities in MCM, addressing broadbased calls for more work in this area (including by the Independent Evaluation Office Report on Financial Surveillance, ongoing discussions on the FSAP Review, and the CSR). This amount also includes the recent ramp-up in funding for a monetary modeling unit in MCM. Current estimated direct spending on financial surveillance in functional departments is estimated at $47 million per year (average for FY 17-20, in FY 20 U.S. dollars). This does not include the significant financial surveillance work undertaken by area departments.[10] Within this estimate, *bilateral* financial surveillance (including FSAPs) is around $30-33 million per year. Fund-wide direct spending on FSAPs varies depending on countries assessed in a given year, but has ranged from $20-25 million during this same period. Separately, the Financial Sector Stability Review (FSSR), a donor-funded, CD instrument helps low and lower-middle income countries diagnose financial sector vulnerabilities and prioritize financial sector reforms.[11]

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[9] This excludes external financing, except in Box 3 which discusses CD priorities and spending plans.

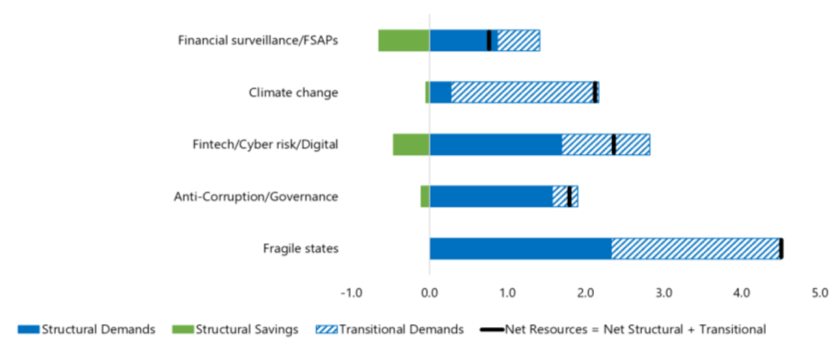
[10] Some examples of area department work in regional financial surveillance include: *Drivers of Cross-Border Banking in sub-Saharan Africa* (WP/19/146); *Macro-financial linkages in shallow markets* (AFR, DP/2018/12); *Building Resilient Banking Sectors in the Caucasus and Central Asia*, (DP/2018/8), *Report on the Pacific Roundtables: Actions to Address Correspondent Banking and Remittances Pressures* (DP/2019/6); *Macroprudential policies and house prices in Europe* (DP/2020/3). *Financial conditions and Growth at Risk in the ECCU*, (WP/19/247). Examples of ongoing projects include: *Financial Conditions Index for Europe*, *Foreign Currency Exposure and the Bank Lending Channel: Evidence from Emerging Europe.*

[11] Since the program was begun in 2019, 16 FSSRs have been launched, with five conducted in FY 20. Each diagnostic is complemented by a three-year follow-up plan. Spending on FSSRs has increased from $2.1 million in FY 19 to an expected $3.7 million in FY 21. Going forward, a larger proportion of the targeted $30 million in donor financing will be allocated to follow-up CD as more diagnostic missions are completed.

- *Fintech, cybersecurity, and digital economy*: $2.8 million to MCM, LEG, and SPR for analytical and policy work in these areas. Demand for the Fund to provide intellectual leadership, sound policy advice, and to organize opportunities for peer-to-peer learning in these areas has been growing strongly. Spending in these areas was estimated at $8 million in FY 19.
- *Climate change*: Climate work has ramped up significantly in recent years, and an extensive agenda is planned for FY 21 (Box 5). In this context, $2.2 million in additional resources are being provided to increase expertise to support country work (e.g. Climate Change Policy Assessments, CCPA), and analytical and Fund policy work in several functional departments (RES, FAD, MCM, and SPR).[12] CD departments are also planning to provide climate change CD to the membership using external financing e.g. to streamline climate change issues in macroeconomic and debt sustainability frameworks.
- *Anti-corruption/governance:* $1.9 million, mostly to SPR, LEG, FAD, and FIN to help support country teams and review work. The enhanced governance framework in place since FY 19 now covers all countries, such that resource needs are stabilizing and are being regularized as part of structural budgets. The steady-state cost of implementing the enhanced governance framework was estimated in FY 20 at around $6 million.
- *Fragile and conflict-affected states:* $4½ million, mostly to AFR, APD, and MCD to support country operations. About half these resources are provided on a transitional basis, reflecting a temporary ramp-up in engagement related to program work.[13] Spending on fragile states is estimated at $100 million per year, of which around half is CD delivery.

Figure 7. Proposed Spending in Selected Priority Areas, FY 21

(Millions of FY 20 U.S. dollars)



Source: Office of Budget and Planning.

[12] A small amount (less than $50K) is also allocated to CSF to help assess the Fund's own climate footprint.

[13] Resources for anticipated program work (including for fragile states) are initially provided on a transitional basis and brought into the structural base subsequently as programs materialize, and as structural budget space becomes available from other identified savings.

22. **Other priority areas are addressed through internal reallocations, and resource implications from ongoing policy reviews remain to be determined.** Priority areas for which there were only small or no new resource requests through the institutional budget process—e.g., ongoing work on social protection and inequality, and sustained low interest rates, respectively—will be addressed by reallocating existing departmental resources.

Box 5. IMF's Work on Climate Change

Reflecting the growing recognition across the membership of the need to understand better the impact of climate change on the global economy, the IMF has begun significantly ramping up its work in this area. In FY 20 and 21, spending by departments is expected to increase significantly, reaching around $12 million each year, driven by both new resources and refocusing of existing resources on these issues (See ¶21).

61 country teams have covered these issues in FY 20 and analytic and policy work focused on these issues has expanded. For example, the Fund has proposed a carbon price floor arrangement to scale up mitigation among large emitting countries (*Fiscal Policies for Paris Climate Strategies—from Principle to Practice,* Policy Paper 19/010). In addition, significant new policy efforts are planned. The Fund will assess how climate change is priced in financial assets in the GFSR and support efforts to encourage the adoption of climate-related financial disclosures. WEO chapters are planned for October 2020 and April 2021.

On a bilateral basis, the Fund is providing policy advice on mitigation strategies, designing fiscal policies such as carbon taxes and emission trading systems, and planning to review Climate Change Policy Assessments (CCPAs, jointly with the World Bank). About one in five FSAPs have already included climate risk stress testing. On Fund policy, SPR, FAD, MCM, and RES are developing a strategy on how to systematically integrate climate change into bilateral surveillance (including in FSAPs). The Fund will also facilitate the global dialogue, including through the Fall WEO climate chapter ahead of the COP26, and by engaging in multilateral fora such as the Coalition of Finance Ministers for Climate Action, the Network for Greening the Financial System to develop methodologies for measuring climate risks to financial stability, and international standard setters to promote quality climate-related financial disclosures.

Spreadsheet tools to provide guidance on carbon pricing and other policy instruments for meeting countries' mitigation pledges for the Paris agreement, already routinely used in multilateral and bilateral surveillance reports, are being updated and expanded by FAD. STA, in cooperation with MCM, FAD and SPR, plan to develop a basic framework on climate change indicators and produce a dashboard including (i) carbons emissions and environmental damages, (ii) government expenditures for environmental policies, as well as taxes and subsidies and (iii) financing (Green bonds, carbon footprint of loans). The November 2020 IMF Statistical Forum will discuss international statistical efforts in this area.

FAD and ICD are also developing CD training curriculum and courses on climate change.

D. FY 21 Budget by Thematic Categories[14]

23. **Country operations are projected at $471 million in FY 20 and will receive $13.9 million in additional resources** (Figure 8)**.** New structural resources of $10½ million and transitional resources of $10 million will support enhanced engagement. The allocations for lending and field presence reflect the current outlook for Fund engagement (Box 6). Scaling up or making

[14] Appendix IX presents the proposal in more detail.

structural resident representative offices in countries with increased engagement and establishing (CCAM) is partly offset by $6½ million in savings from reprofiling and closing of existing posts.

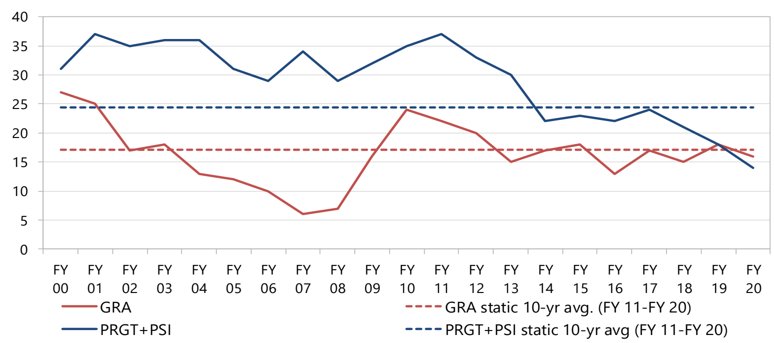
24. **In FY 20, $253 million are expected to be spent on analytical work, multilateral surveillance and cooperation, and Fund policies, and the budget allocates another $8.3 million in these areas.** In gross terms, $17.7 million will go to fund additional work in: fintech, digital currencies, cybersecurity, the digital economy, work on the Integrated Policy Framework, implementation of the CSR, review of the enhanced governance framework, continued work on FCS, debt sustainability, AML/CFT, gender, inequality, social protection, arrears, and safeguards. These gross demands are partly offset by $9½ million in savings from the conclusion of major reviews (e.g. FSAP and PRGT eligibility).

Box 6. Outlook for Fund Engagement

The budget proposal provides resources for country teams in line with the anticipated intensity of FY 21 engagement prior to the Covid-19 related crisis. As of late 2019, departments expected the number of Fund programs (including non-financial arrangements such as PCI, PSI, or PPM) to increase relative to the current level (which is somewhat below long-term averages)—but to remain in line with the number of programs used when formulating the FY 20 resource allocation. Recognizing that demand for Fund programs is now expected to be higher, a first step will be to assess scope for reallocation of resources both within departments (e.g., from surveillance and analytical work to lending activities) and across departments. Larger resource needs could be met by in the short term by overtime, and also by drawing on the Fund's budget contingency (see further discussion in the section on budget risks). However, more sustained and broader needs, which have become more likely, may require further consideration of the adequacy of resources.

Fund Arrangements, FY 00-20[1/]

(Number of countries)



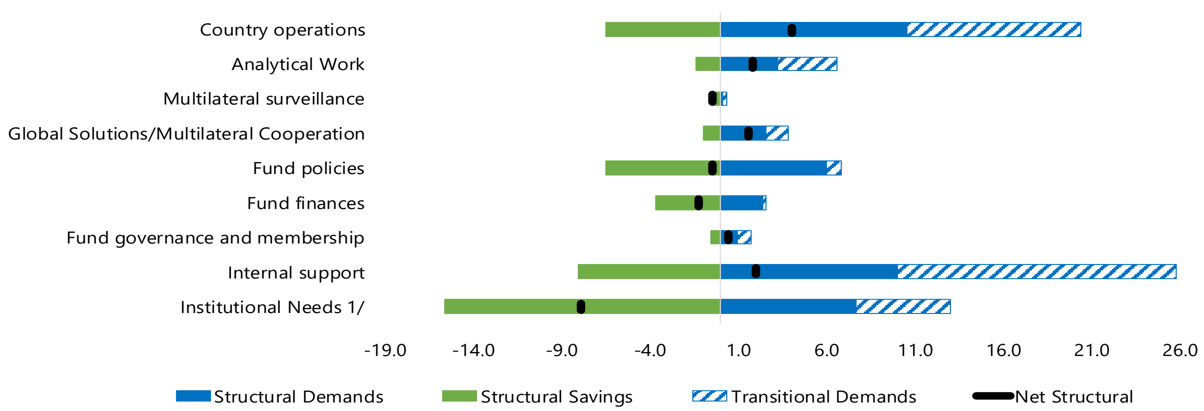
Source: MONA Database and staff calculations.
1/ Blend GRA/PRGT arrangements are included as PRGT. Based on number of arrangements at end of period. For FY 20, includes current arrangements as of January 13, 2020.

25. **Fund finances, governance, and internal support will receive $18 million in net additional resources on top of the $452 million projected in FY 20.** $13.4 million go to Fund finances and governance, including staff work related to IEO evaluations, third party risk management, copyright issues and to cover revenue losses from making the Fund's digital publications free of charge. In addition, $16½ million will go to transitional needs to support ITD's new service delivery model, change management, the new video wall, as well as revenue shortfalls in the Concordia and parking fees collection. Savings of $12 million, e.g., from the completion of policy work on the CCBR, will offset some of these new spending demands.

26. **Under the institutional needs category, $8 million in net structural savings are expected.** These arise from the CCBR, HR reorganization, holding the travel budget flat in nominal terms, and other streamlining efforts. At the same time, there are $5 million in transitional funding needs, mainly related to the shift to the new HR service delivery model.

Figure 8. Proposed Changes in Resources, by Thematic Categories, FY 21

(Millions of FY 20 U.S. dollars)



Source: Office of Budget and Planning.
1/ Includes price adjustments in commercial data subscriptions, adjustments related to the CCBR and HR Reorg and savings from holding the travel budget constant.

Table 2. Gross Administrative Fund-Financed Resources: Estimated Allocation by Activity, FY 20-21

(Millions of FY 20 U.S. dollars)

	FY 20				FY 21				
	Structural	Transitional	Total	Est. Outturn	Structural Demands	Structural Savings	Structural	Transitional	Total
	(a)	(b)	(c) = (a)+(b)		(d)	(e)	(f) = (a)+(d)-(e)	(g)	(h) = (f)+(g)
Gross Expenditures	**1,197**	**25.8**	**1,223**	**1,191**	**40.8**	**43.7**	**1,194**	**37.5**	**1,232**
Analytical Work	99	2.0	101	100	3.2	1.4	101	3.4	104
Multilateral surveillance	72	0.3	72	71	0.1	0.6	72	0.2	72
Country operations	466	10.4	477	471	10.3	6.5	470	9.9	480
Global Solutions/Multilateral Cooperation	44	1.2	45	45	2.6	1.0	46	1.3	47
Fund policies	35	1.0	36	36	6.0	6.5	35	0.8	35
Fund finances	29	0.5	29	29	2.4	3.6	27	0.2	28
Governance and membership	119	0.8	120	117	1.0	0.5	119	0.7	120
Internal support	295	9.7	305	307	7.5	8.1	295	15.7	310
Institutional Needs 1/					7.7	15.6	-8	5.3	-3
Miscellaneous 2/	24		24	15			24		24
Contingency 3/	15		15				15		15
Receipts	(39)		(39)	(34)	2.9		(36)		(36)
Net Expenditures	**1,158**		**1,184**	**1,158**	**43.7**	**43.7**	**1,158**		**1,196**
Carry forward			**47**						**48**
Total Available Resources			**1,205**						**1,206**

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES). Mapping based on staff estimates.
Note: Numbers may not add to totals due to rounding.
1/ Includes price adjustments in commercial data subscriptions, adjustments related to the CCBR and HR Reorg and savings from holding the travel budget constant.
2/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated within the ACES model.
3/ Includes the contingency for staff, OED, and IEO.

E. FY 21 Budget by Departments

27. **The proposed shift in resources across outputs is mirrored in shifts in departmental budgets.** On a structural basis, area and functional departments will see an increase, while support departments will remain flat. The overall net structural increase for departments is funded from savings from streamlining HR service delivery, holding the travel budget constant in nominal terms, and other streamlining efforts. Transitional resources will help departments meet short-term needs, including those arising from the transition to the new HR service delivery model. Key departmental highlights are summarized below and in Tables 3 and 4. The impact of the HR reforms is shown as central savings. The final FY 21-23 medium-term budget paper will show in detail how the savings from the HR reforms will translate into structural and temporary adjustments in individual departmental budgets.

28. **The budget provides for intensified country engagement in area departments, consistent with needs as of end-February. AFR** will receive structural and transitional resources to support work on programs and FCS, including the upsizing of the RR post in Ethiopia. ***APD*** will receive structural and transitional resources to finance intensified surveillance work and to support work on climate change and fragile and small states. ***EUR*** will continue its structural consolidation with the support of transitional resources; savings will accrue from the closure of the RR post in Greece. ***MCD*** will receive resources for increased engagement with vulnerable countries and analytical work, and field-based resources for CCAM and a local coordinator in Morocco to support preparation of the 2021 Annual Meetings. ***WHD*** will receive structural resources for RR posts previously funded on a transitional basis, and transitional funding for intensified surveillance and program work.

29. **Allocations to non-CD functional departments are in line with new policy and review work at that time. *FIN,*** which plans significant internal reallocation of its resources to meet new needs, will receive a small amount in transitional resources for the safeguards review and non-capital IT development on mandated policy. ***RES*** will receive structural resources to regularize financing for the Common Surveillance Database team and the Structural Reforms Unit, as well as transitional resources to support work on climate change. ***SPR*** will receive structural and transitional resources to support work on climate change, FCS, CSR, IPF, the Integrated Digital Workplace, and the G20 presidencies. ***COM*** will provide net savings from modernizing the Fund's publications and moving to free digital publications and will receive transitional resources for a secondment from the World Bank.

30. **The resource mix in functional CD departments is aligned with thematic and country groupings priorities. *FAD*** will receive transitional resources mainly for work on climate change, the Sustainable Development Goals, and enhanced governance framework. ***ICD*** will receive transitional resources to lead the CDMAP Project. ***LEG*** will receive structural and transitional resources for work on the enhanced governance framework and on fintech. ***MCM*** will receive significant structural and transitional resources, including for financial surveillance/FSAPs, cybersecurity, fintech (including digital currencies), the IPF, and the Monetary Policy Modelling Unit. ***STA*** will receive a small amount

in transitional resources to support the iDATA project and will initially fund work on climate change through internal reallocation of resources.

31. **Support departments (excluding HRD) will receive transitional resources for risk management and modernization efforts.** ***CSF*** will receive transitional resources to cover the new third-party risk management framework, enhanced capabilities in the Global Security Operations Center (GSOC), copyright issues, revenue shortfalls in Concordia and parking fees, and for work on the Fund's climate footprint. ***ITD*** will receive transitional resources to move towards an improved service delivery model based on managed-service providers. Moving to a new service delivery model will generate savings over time and help both contain the overall level of IT spending and direct it towards the key priorities.

32. **HRD will receive significant structural budget increase, reflecting the move of all HR functions from departments to HRD** (Appendix VII). The structural budgetary impact of this reform on each department, as well as resource needs during the transition to the new model are reflected in Tables 3 and 4.

Table 3. Budget Adjustments by Departments, FY 20-21

(Millions of FY 20 U.S. dollars)

	FY 20 Approved Budget	FY 20 Transitional Funds 1/	FY 21 Proposed Adjustments: New Structural Spending	Structural Savings & Reallocations	Net Structural Increase (+)	Transitional Resources
Area	**303.3**	**7.2**	**7.4**	**5.1**	**2.2**	**8.3**
AFR	91.0	2.1	2.4	1.3	1.0	1.9
APD	44.3	0.8	0.9	0.6	0.4	1.2
EUR	67.6	2.9	0.7	1.7	(1.0)	2.1
MCD	52.5	0.2	1.1	1.0	0.2	1.8
WHD	47.8	1.2	2.2	0.5	1.7	1.3
Functional Non-CD	**163.0**	**4.0**	**13.7**	**12.0**	**1.7**	**4.1**
COM	38.4	0.1	-	0.7	(0.7)	0.3
FIN	35.6	0.5	4.2	4.2	0.0	0.6
RES	34.8	0.2	1.3	0.1	1.2	0.8
SPR	54.3	3.2	8.2	7.0	1.2	2.4
Functional CD	**260.3**	**4.8**	**5.5**	**2.8**	**2.7**	**4.9**
FAD	61.8	1.2	0.5	0.4	0.1	1.2
ICD	34.5	0.7	0.4	-	0.4	0.4
LEG	28.6	0.6	1.8	1.2	0.6	0.9
MCM	85.4	2.1	2.6	1.0	1.6	2.2
STA	50.0	0.3	0.3	0.3	-	0.3
Support	**280.2**	**8.8**	**4.9**	**4.7**	**0.3**	**10.6**
CSF	101.2	1.8	0.8	0.8	0.0	1.7
HRD 2/	35.0	5.0	-	-	-	-
ITD	106.7	1.0	3.2	3.2	-	8.8
OBP	5.2	-	0.3	0.3	-	-
OIA	5.2	-	-	-	-	-
ORM	3.0	0.2	0.4	0.4	-	0.1
SEC	23.9	0.8	0.3	-	0.3	-
Small offices 3/	**34.7**	**0.6**	**1.9**	**1.6**	**0.3**	**0.6**
Other (OED, IEO, Center) 4/	116.9	0.4	2.6	1.9	0.7	4.4
Total departments, offices, and other	**1,158.4**	**25.8**	**36.0**	**28.1**	**7.9**	**32.8**
1HR/HR reorganization and CCBR		-	7.7	11.9	(4.2)	4.7
Central Savings (est.) 5/				3.7	(3.7)	
Grand Total	**1,158.4**	**25.8**	**43.7**	**43.7**	**(0.0)**	**37.5**
Memorandum items						
Estimated available carry forward and other						55.5
of which:						
Departments & Center						32.3
OED 6/						15.1
IEO						0.3

Source: Office of Budget and Planning.

1/ Ex-ante, in line with FY 20-22 Medium-Term Budget paper; actual transfers may vary.

2/ Pre HR Reorganization.

3/ Includes the Offices of the Managing Director and Deputy Managing Directors, Innovation Lab, Knowledge Management, Office for Asia and the Pacific, Office in Europe, Overseas Trainining Offices, Economic Data Team, HQ1 Task Force, Mediator, Ethics Office, Office of Internal Investigation, Secretarial Support Group.

4/ Includes price adjustments in commercial data subscriptions, loss of revenue due to free data, and other small reallocations.

5/ Includes savings from holding the travel budget constant and OED's structural streamlining.

6/ Includes OED's central carry forward of estimated 4.7 million, proposed to be made available to the Fund's general budget.

Table 4. FTE Changes by Departments, FY 20-21

(FTEs)

	FY 20	FY 21 Proposed Structural 1/			Transitional	
	Approved Budget	**Structural Adjustments**	**Impact - New HR Model 2/**	**Total**	**FY 20 3/**	**FY 21 Proposed 4/**
Area	**788.5**	**5.0**	**(14.2)**	**779.3**	**17.7**	**19.5**
AFR	225.7	3.0	(4.2)	224.5	5.0	5.8
APD	114.4	1.5	(2.5)	113.4	1.5	3.3
EUR	179.9	(3.0)	(2.5)	174.4	7.7	4.5
MCD	135.5	1.5	(2.5)	134.5	0.5	2.8
WHD	133.0	2.0	(2.5)	132.5	3.0	3.3
Functional Non-CD	**502.0**	**7.7**	**(11.2)**	**498.5**	**10.2**	**12.6**
COM	92.0	-	(2.0)	90.0	-	1.3
FIN	130.0	0.0	(3.5)	126.5	-	2.0
RES	110.0	4.0	(2.5)	111.5	1.0	2.3
SPR	170.0	3.7	(3.2)	170.5	9.2	7.1
Functional CD	**728.4**	**8.8**	**(12.0)**	**725.2**	**8.2**	**11.0**
FAD	161.7	1.3	(2.5)	160.5	2.7	1.3
ICD	124.0	-	(0.5)	123.5	0.5	1.3
LEG	84.2	2.0	(3.0)	83.2	2.0	2.0
MCM	221.6	5.5	(3.8)	223.3	3.0	6.5
STA	137.0	-	(2.2)	134.8	-	-
Support	**516.3**	**1.0**	**12.3**	**529.5**	**6.5**	**21.8**
CSF	162.7	-	(0.5)	162.2	-	1.3
HRD	91.0	-	19.0	110.0	6.0	20.3
ITD	152.6	1.0	(4.0)	149.6	-	0.3
OBP	16.0	-	(0.3)	15.8	-	-
OIA	16.0	-	-	16.0	-	-
ORM	10.0	-	-	10.0	-	-
SEC	68.0	-	(2.0)	66.0	0.5	-
Small offices	**70.3**	**(2.0)**	**(0.5)**	**67.8**	**1.0**	**1.3**
Other (incl. OED/IEO)	**272.4**	-	-	**272.4**	-	-
Total	**2,877.9**	**20.5**	**(25.7)**	**2,872.7**	**43.6**	**66.1**
Fund-financed Total	**2,877.9**	**20.5**	**(25.7)**	**- 2,872.7**	**43.6**	**66.1**
Donor financed	**91.2**	**...**	-	**93.0**	-	-
Grand Total	**2,969.1**	**20.5**	**(25.7)**	**2,965.7**	**43.6**	**66.1**

Source: Office of Budget and Planning.

1/ Figures may not add to total due to rounding.

2/ Reflecting HRD reorganization (gross FTE savings of 40 offset by 19 increase in the new HRD structure) and other savings derived from the 1HR project (FIN (1) and ITD (3.5)). Other savings in ITD are in steady state.

3/ Ex-ante, in line with FY 20-22 Medium-Term Budget paper; actual transfers may vary.

4/ Includes 26 transitional FTEs to bridge departments to the new HR structure.

CAPITAL BUDGET

A. Capital Investment Framework

33. **Recent changes in the investment landscape have prompted revisions to the Capital Investment Framework** (CIF). Details are set out in Appendix X and include the following key elements:

- Appropriation of annual capital needs rather than the total estimated costs of a project, while maintaining the 3-year lapsing rule. Information on total project costs and the medium-term capital plan would still be submitted alongside the budget request.
- Codifying the recent practice of seeking Board endorsement for large, transformational projects prior to implementation. This would require engagement to present *ex-ante* project justification, including a business case and cost-benefit analysis (CBA). Follow up engagement will take place as needed to provide progress updates.
- All other projects will be presented to the Board for approval as part of a portfolio during the annual budget process with improved reporting on numbers and types of projects and total estimated project costs.

Table 5. Medium-term Capital Budget, FY 20-23

(Millions of U.S. Dollars)

	FY 20	FY 21	FY 21	FY 22	FY 23
	Approved	Projected in FY 20-22 MTB	Proposal	Projection	
Total	**85.8**	**96.0**	**98.7**	**87.9**	**91.9**
Building Facilities	**40.8**	**49.0**	**42.4**	**35.4**	**38.3**
of which:					
Lifecycle replacements and repairs 1/	15.5	31.7	32.5	23.8	20.7
of which:					
Furniture	4.1	10.4	13.6	2.6	...
Audio-Visual	4.7	5.7	6.5	5.9	6.0
HQ1	0.3	14.3	11.2	14.1	8.7
HQ2	...	...	...	...	2.7
New Investments	15.7	1.0	0.7	4.3	10.1
HQ Security	4.7	8.7	...	...	...
Information Technology	**45.0**	**47.0**	**56.3**	**52.4**	**53.6**
Key Modernization Projects (and pre-reqs) 2/	30.0	31.0	31.1	31.5	32.2
New Investments	9.0	6.0	15.4	10.5	8.6
Of which : Information Security	3.3	3.0	7.8	5.3	3.2
Infrastructure end-of-life 1/	5.6	10.0	9.9	10.6	12.9

Sources: Office of Budget and Planning, and departments for Corporate Services and Facilities and Information Technology.

Note: Figures have been recategorized to align with new defined groupings in the Capital Investment Framework. Totals may not add due to rounding.

1/ Long-term plans included in Appendix X.

2/ Projections for FY 22 - 23 are indicative at this stage and reflect continued focus on modernization.

Other proposed revisions to the CIF clarify roles and responsibilities, refine capital project taxonomy, strengthen the investment decision-making process and integrate risk and change management into the project governance structure.

B. FY 21 Capital Budget Proposal

34. **The capital budget proposal for FY 21 is $98.7 million**. It covers investment, maintenance, and improvements in the Fund's building facilities, information technology (IT) and other fixed assets. The proposed appropriation for FY 21 is in line with estimates in the FY 20–22 Medium-Term Budget (MTB), albeit with reductions in Facilities projects offset by higher needs in IT capital (Table 5). The presentation of the capital budget is in line with the new capital investment framework.

Facilities Capital

35. **The proposed FY 21 appropriation for facilities capital is $42.4 million, $7 million lower than the estimate used in the FY 20-22 MTB.** Most of the investment is needed to replace facilities and building systems which have reached end-of-life.

- $32 million, including to update furniture in HQ1 ($14 million), audio-visual life-cycle replacements ($6 million), and the start of a cycle of replacement of aging HQ1 building equipment and systems ($11 million). The HQ1 replacements (mainly air conditioning chillers and electrical substations) were not included in the HQ1 Renewal project because the original completion date of the renovation was well before the end-of-life of these systems.
- $11 million for smaller projects, including office renovations, staff moves, contingency funds, and the establishment of a planning reserve for the facilities portfolio of projects.
- A previously planned project to install bollards around the HQ1 building perimeter has been assessed as no longer needed. Following feasibility assessments and consultation with DC government authorities, it has been determined that the complexity and cost of the project outweigh the added security benefits. The current barriers provide adequate protection in line with U.S. Government standards and the Fund's security objectives.

36. **Projects to improve the headquarters buildings are expected over the medium term** (Appendix XI)**.** Current proposals include improvements to the visitor's entrances and the HQ1 auditorium (which will be restored to a large meeting space suitable for townhalls and spring and annual meeting events).

HQ1 Renewal

37. **The HQ1 Renewal project was substantially completed, as expected, in September 2019.** Construction was completed six months ahead of schedule and within budget with projected expenditures through April 2019 of $548 million against a budget of $563 million (see EBAP/19/110—HQ1 Renewal Project—Q2 FY 2020 Quarterly Progress Report). Important project close-out and transition activities remain. Lessons learned were documented in the Q2 FY 2020 Quarterly Progress Report.

IT Capital

38. **The proposed IT capital budget appropriation for FY 21 is $56.3 million, $10 million more than last year's estimate for FY 21**. Most of the budget will fund continued work on modernization projects and provide funding for other critical systems development and upgrades, such as the Fund's system for member lending activities which has reached end-of-life. The remaining proposed funding will provide resources for information security, and normal lifecycle replacements for IT infrastructure.

39. **The large modernization projects will account for roughly $31 million** (Box 7, Table 6)**.** The projects are at various stages: (i) 1HR and CDMAP are in the implementation phase, (ii) KM, which draws together a collection of targeted projects that will support the IDW, is starting work on its final and largest element (replacement of the document management system), and (iii) the Integrated Digital Workplace (IDW) and iDATA are conducting scoping and design work (see EBAP/20/17, *Key Transformation and Modernization Programs*, January 2020 Progress Report). Total estimated costs (where available), budget approvals to-date and expected spending through year-end are shown in Table 6.

Box 7. Key Modernization Projects

The Fund has embarked on a modernization agenda to upgrade internal operations to be more nimble and agile in the face of rapid geopolitical, technological, and demographic shifts, as well as evolving demands from our member countries. A key pillar of this modernization is a portfolio of key transformation programs to improve processes and upgrade aging platforms.

This includes the transformation of the HR system and operating model (1HR), reformed Capacity Development Management and Administration Processes (CDMAP), development of an Integrated Digital Workplace (IDW), a next generation economic data platform (iDATA), and knowledge management (KM) capital projects. The programs provide the opportunity to redesign and streamline work processes and practices to take advantage of automation and other productivity enhancements.

- **1HR** will modernize, simplify, and transform the way the Fund delivers its HR services, through streamlined business practices, best in class cloud software, and enhanced controls, providing flexibility to accommodate future policy, practice or regulatory changes (e.g., HR Strategy and CCBR, Appendix VII).
- **CDMAP** will transform CD operations, supporting more efficient and transparent implementation of the CD governance framework. It will address process and systems weaknesses, support better decision-making, and help strengthen the integration with surveillance and lending in line with the CD strategy.
- **IDW** will provide a modern user interface where staff have improved access to knowledge, applications, and other platforms to do their work. The goal is to address the pain points experienced from existing fragmented content, information silos, and obsolete technology.
- **KM** provides a framework for efficiently capturing, storing and sharing knowledge, thereby enabling staff to more easily draw lessons and insights from the Fund's rich cross-country experience and subject-matter expertise. This includes a new document management system and enterprise search systems, as well as underlying work on content classification.
- **iDATA** seeks to mitigate the operational risks stemming from the Fund's current aging data management platform. The project will deliver a modern economic data lifecycle management platform that can be further extended to meet the growing business needs for creating and maintaining databases for multilateral surveillance and economic research.

Table 6. Estimated IT Capital Needs for Key Modernization Projects

(Millions of U.S. dollars)

	FY 20				FY 21	FY 22-23
	Total Estimated Project Cost	Approved in Previous Years (thru FY20)	Estimated Spending at Year End	Remaining estimated approved budget	Additional Projected Needs 2/	
Key Modernization + Prerequisites	**121.1**	**71.0**	**52.9**	**18.1**	**31.1**	**19.0**
Key Modernization	**105.7**	**58.4**	**43.8**	**14.6**	**28.3**	**19.0**
1HR	44.1	37.7	25.1	12.6	6.5	-
CDMAP	18.9	7.4	6.6	0.8	9.0	2.5
Knowledge Management	24.1	7.7	6.7	1.0	7.9	8.5
iData	13.7	1.7	1.6	0.1	4.0	8.0
Integrated Digital Workplace 1/	4.8	3.8	3.8	0.0	1.0	-
Prerequisites projects 3/	**15.4**	**12.6**	**9.1**	**3.5**	**2.8**	-

Note: Totals may not add due to rounding.

Source: IT Project Management Office

1/ IDW figures represent the scoping and design work. Project is still in early stages and estimates of total cost and projected needs are not yet available.

2/ Additional projected needs for FY 22-23 do not include projections for IDW which is still in scoping and design phase.

3/ Includes the Identity and Access Management system, Corporate Data Warehouse and cloud development platforms which support the modernization projects.

40. **The governance for key modernization projects allows for significant Board oversight**.

- As part of the established governance of the key modernization projects, 1HR and CDMAP have presented business cases and cost benefit analyses to their respective Steering Committees, the CBIT, and the Board as a requirement to proceed with implementation.[15]

- The KM capital projects replace an aging infrastructure (enterprise search and the document management system), provide an innovative tagging tool, and have delivered an upgrade to KE country pages.[16]

- All projects except Document Management are under implementation. The Document Management project team has prepared a robust business case and financial plan that has undergone CBIT review. Direct capturable savings have not been assigned to the project, but will be integrated into the iDW project, recognizing that the primary benefits of the specific KM objectives will be qualitative (better information accessibility) and risk mitigation. Staff are working to finalize the Document Management licensing and implementation contracts with the goal of starting implementation at the end of Q1 2020.

[15] 1HR presented CBA in July 2019 as part of an informal Board briefing on the status of key modernization projects and CDMAP presented its CBA in October 2019.

[16] The Knowledge Management project strategy and updates were presented to the Board on March 16, 2018 and May 15, 2019.

- The IDW and iDATA projects are scheduled to submit their proposals during FY 21. Funding in FY 21 will be conditional on development and presentation of a business case and CBA. Should IDW and iDATA get approval to begin implementation work in FY 21 as currently scheduled and resequencing or adjusting existing budget space is not possible, a supplemental capital appropriation may be sought.
- Information security projects will have a total cost of almost $16 million, with about $8 million falling in FY 21. Of this, projects with the specific objective to protect the Crown Jewels are estimated at $10 million, of which about $4 million falls in FY 21. These projects are designed to bring the risk profile down to *moderate* as set out in the Information Security Strategy and Risk Mitigation Roadmap presented to the Board. Other security-related projects requesting new or additional funds in FY 21 include replacement and upgrade of the security events logging and monitoring system, cloud migration of the offsite business continuity center and other application controls. These projects are proposed as part of the information security roadmap (Box 8).
- IT infrastructure end-of-life replacements total $10 million for FY 21. In addition to funding upgrades of the remote office infrastructure, network equipment, servers and storage capacity, mobile devices and a portion of the personal computers will also be replaced in FY 21. Medium-term needs are estimated to remain at this level, mainly due to the personal computer refresh schedule. This aligns with the long-term plan for IT infrastructure, as detailed in Appendix XI.

Box 8. Information Security and the Medium-term Budget

The level of administrative budget resources devoted to Information Security in FY 20 is approximately $10 million. These resources fund (i) the activities of the Information Security Group in the IT department, which include Information security services for IT projects, Fund-wide security awareness program, security compliance program for financial systems, application security program, penetration testing, ongoing independent assurance of security control effectiveness, security risk metrics reporting, and security incident investigations; and (ii) Operational information security services, which include vulnerability management, identity and access management, privileged access management, endpoint security management tools for PCs and mobile devices, network and perimeter security, security monitoring, security event correlation, proactive threat detection and prevention, and security incident response.

Additionally, the capital budget request for FY 21 is $8 million, including $4 million for crown jewels protection projects and another $4 million for security incident monitoring, cloud migration of the business continuity center and other application controls. Capital investments have averaged about $4 million a year since FY 16. These investments were targeted at improving access management, remediation of vulnerabilities, identification of Crown Jewels, and upgrading the security and incident monitoring system.

Often, after the main objectives of the capital project are achieved, there is a recurring administrative expense to maintain the investment. The information security projects in progress or proposed in the medium-term information security roadmap are estimated to result in an administrative budget impact in the range of $4-5 million. An increase of this size, and the resulting administrative impacts from other capital investments, will require careful planning to accommodate under a flat budget constraint.

MEDIUM-TERM BUDGET PROSPECTS

41. **The Fund will need to reassess resourcing requirements as the full impact of the Covid-19 crisis are better understood.** New demands will need to be addressed, while the Fund continues to look for scope for efficiencies and reallocation to fund new priorities in the future. This will include finding space for some activities currently funded through transitional resources in the FY 21 budget that may need to become structural in future years (e.g., new field offices which are treated as transitional in the first year of operation). Moreover, some of the new initiatives in the FY 21 budget, such as work on climate change, will likely have to be ramped up further in coming years, while the Fund will need to maintain its agility to be able to respond to global emergencies such as the ongoing Covid-19 outbreak. Major policy reviews—including the to-be completed CSR and FSAP reviews, and forthcoming reviews (data provision) and IEO evaluations (e.g. capital flows, small states)—are likely to require a rebalancing and may imply an increase of resources over time for these activities.

Pressures will also likely arise from changes in the way capital projects are structured. Until recently, capital projects—not just at the Fund—implied an upfront investment that was then recouped over time. However, in particular for IT projects, there is a trend towards cloud-based solutions that are based on a subscription fee combined with a lower upfront investment. Conceptually, the subscription fee could be viewed as corresponding to the accrued depreciation in a traditional capital project. However, the Fund budget has so far not reflected depreciation[17]

42. As a result, all else equal, future capital budgets would be lower as upfront costs are reduced, but administrative needs will be higher given subscription costs. The Fund will need to consider the appropriate treatment of this change in the way capital projects are structured in its real flat budget framework.

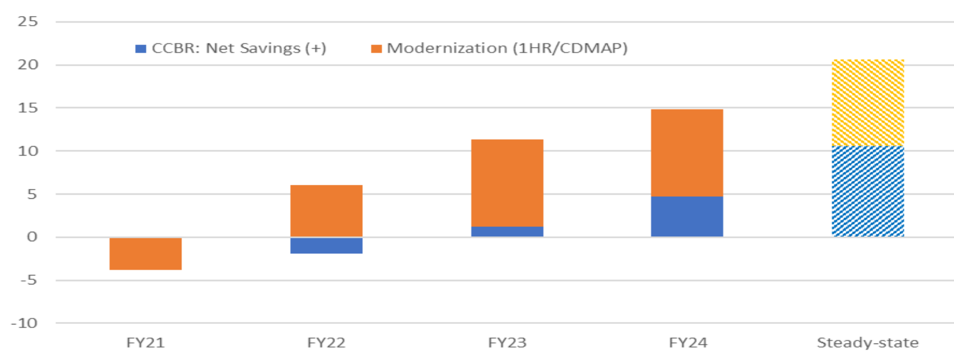
43. **Savings from modernization projects will create some budget space** (Figure 9)**.** CCBR savings are projected to accrue over time from the rationalization of some benefits and efficiency gains in managing human resource processes. The scheduled adjustment of the grossing-up formula for the staff retirement plan which the Board will discuss in the next financial year is also expected to generate savings as income tax rates are lower than those underlying the existing grossing-up formula. As these savings materialize, part of them can be used to bolster the Fund's competitiveness, for example through targeted measures to support recruitment of specialized skills and/or from underrepresented regions, higher salary increases at promotion to reward performance and support retention, and increased funding for training. Work is underway to elaborate a framework to support investment in such measures in future budgets. Other modernization projects have yet to develop their cost-benefit analysis and could also generate savings over the medium-term.

[17] Depreciation is reflected in the Fund's quarterly and annual financial statements.

44. **With full budget utilization and continued elevated transitional needs, it is increasingly likely that some of the existing carry forward will be used.** The next few years represent a transition period as modernization projects are being implemented, many with significant transitional costs. At the same time, the need for the Fund to take extraordinary measures to address the current crisis will call for an agile and timely response that may require use of these resources. Even though portions of the carry forward have been allocated upfront in past years, it has on aggregate remained intact. This is because drawdowns on carry forward resources in some departments have been offset by underspending in others. Going forward, with the full budget utilization we have seen for the past few years, it cannot be ruled out that the carry forward will be used over time, in particular, given that the carry forward will partly be needed to finance the transition costs of the large modernization projects and other short-term crisis response measures. If and when the carry forward has been used, transitional needs would have to be accommodated within the structural budget envelope. As such, a key consideration for allocating available carry forward balances is to protect against full utilization in a single year and avoid the sharp rebasing of expenditures that this would require in the next budget.

Figure 9. Medium-term Total Resource Savings[1/]

(Millions FY 20 U.S. dollars)



Source: HRD and OBP
1/ Takes into account transitional costs associated with the reforms.

RISKS TO THE BUDGET

45. **With the Covid-19 outbreak, risks to the budget have risen sharply.** With virtually full budget utilization and increases in the upfront allocation of the carry forward, the Fund's budgetary buffers have been reduced in recent years. The 2019 Risk Report assessed budget risks as moderate, but above tolerance, given diminished budgetary slack. The Covid-19 crisis has, however, increased uncertainty as the extent of demand for new Fund financing has yet to become clear, and the Fund's operations themselves have to be adjusted in response to the Covid-19 outbreak itself. This highlights the need for strong prioritization processes, and for close budget monitoring and controls. To that end, staff has improved risk analysis and worked on a systematic plan for managing budget risks.

46. **In staff's view, the key budget risks are** (Figure 10 and Box 9):

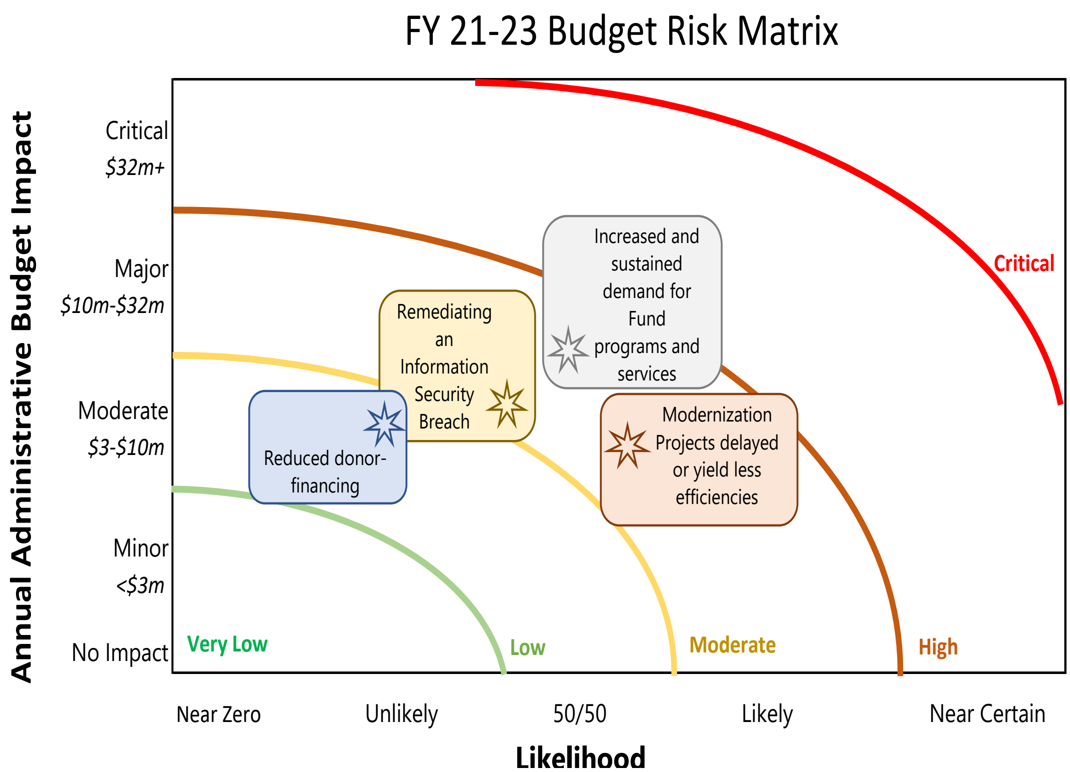
- *Covid-19*: As highlighted above and in Box 4, the outbreak is a rapidly evolving situation which makes quantification difficult. OBP will be working closely with departments to ensure regular review and monitoring of budget needs in the coming period.

- *Unanticipated large and sustained demands for Fund programs*. The 2019 Risk Report provided illustrative estimates of the budgetary impact of larger-than-expected demand for Fund programs, with additional resources potentially needed ranging from $9 to $23 million annually under downside scenarios of varying severity. These downside scenarios consider larger numbers of countries simultaneously entering into Fund-supported arrangements relative to the baseline, and the likelihood associated with these scenarios prior to the Covid-19 outbreak was assessed to be low but is now higher, and a scenario beyond the upper boundary also cannot be ruled out, in particular if the growing economic and financial dislocations rise further and/or become entrenched.

- *Information security risks.* An information security breach would trigger costs of investigation, development of new procedures, and the potential sourcing of alternative service providers. These costs correlate to a moderate budgetary impact. The Fund's Information Security Roadmap will reduce the Fund's risk profile to an acceptable level. However, as information security risks evolve and become more sophisticated, investment needs in this area will be periodically reassessed.

- Delays or not realizing efficiency gains in the modernization projects. The cost-benefit analysis for 1HR and CDMAP envisage savings of about $10 million. This compares to earlier preliminary estimates of about $12 million with the difference due to final realized savings for 1HR (see Appendix VII). For the other large modernization projects, cost-benefit analyses are forthcoming. A project delay could have a moderate impact because of the number of staff resources involved. Moreover, there are risks that the envisaged savings may not be realized in full. Robust mitigation measures are being incorporated including through rigorous planning, oversight from the Project Management Office and interdepartmental Steering Committees, as well as support from a dedicated Change Management function. At the same time, the modernization projects should result in a significant risk reduction for the Fund over the medium-term, for example of risks associated with outdated legacy systems requiring manual processes.

Figure 10. FY 21-23 Budget Risks: Impact and Likelihood



Source: Office of Budget and Planning.

Box 9. Classification of Impact of Risks and Mitigating Actions

- Minor Risks (<$3 million): Departments make internal reallocations and trade-offs. As a second line of defense, draw on Fund-wide contingency.
- Moderate Risks ($3–10 million): In addition to internal reallocation and contingency, some interdepartmental reallocations would be made. Departments would work to identify areas of under spending within the year to facilitate reallocation.
- Major Risks ($10–32 million): Should this level of risk materialize, the Fund would request that, in addition to seeking internal tradeoffs from departments, that departments deliver 2 percent of identified contingency measures for reallocation to the affected areas.
- Critical Risks (>$32 million): Risk events with an impact greater than the available carry forward resource pool would require a request to the Board for increased budgetary resources. Such a request would only be made if other efforts to manage budget impact prove insufficient

- *Donor financed activities.* The Fund has improved the management and oversight of donor resources in recent years, reducing the risks association with external funding. Nonetheless, the scale of donor funding poses inherent risks. This budget risk is mitigated by the Fund's up-front financing model for new initiatives, and the nature of externally financed activities. A large proportion of these funds finance contractual experts whose activities can be readily scaled back. Staff considers this type of donor-financing risks to be low. However, a sustained low-travel environment due to the Covid-19 outbreak could reduce delivery of externally financed CD depending upon the degree to which virtual delivery is feasible. The lower activity could impact the Fund's budget, as set out in Box 4, and services to member countries. The Fund will consult with external partners as the situation evolves.

47. **There are other risk factors that, while present, are considered to have either low probability or a very limited impact.**

- *Price factors.* The impact of oil prices on travel costs and of increases in subscription prices on commercial data costs remain risks which staff deem to have a more minor impact. As such, the risks have been excluded from the impact/likelihood chart.

- *Risks to the Fund's income position.* Within the medium-term budget horizon, a significant reduction to the Fund's income, exerting pressure on the institution's administrative budget is considered improbable, as highlighted above. However, in a lower-for-longer environment, and assuming non-repayment by large debtors and/or limited uptake of new GRA programs, pressures could arise. These risks are carefully monitored, and a conservative approach to projecting income mitigates these risks and potentially provides lead time to put in place offsetting measures.

- *Risks arising from the Fund's compensation mechanism*: The CCBR has adopted the U.S. CPI as the Fund's external deflator. It is conceivable that wage increases in the Fund's comparator markets exceed the deflator and the space from wage erosion (Appendix II). This would imply real cuts in non-personnel spending. Funding modalities would be discussed by the Board as part of the budget proposal, consistent with the new compensation framework.

48. **The FY 21-23 budget process enhances the use of risk-based tools as a means of reducing budget risks.**

- *Tracking of funding for key risk mitigation efforts.* Beginning in FY 21, OBP has collated the funding requests submitted by departments which relate to risk mitigation efforts identified in the Risk Report. In the coming year, risk mitigation areas which received incremental funding include work on Core Risk Areas, Key Modernization Projects, improvements to Third Party Risk Management, and changes made to ensure that the benefits of the HR and CCBR reforms were captured.

- *Risk-based assessment of country needs.* Efforts continue to incorporate country-level risk assessments into the budget planning process, particularly a country's vulnerability and the potential impact on Fund engagement.
- *Improvements to the Capital Investment Framework.* Appendix X describes staff's proposed enhanced capital investment framework, which will support strengthened management of associated risks, including those related to modernization of the Fund's systems.

Text Table Risk Preparedness Matrix (FY 21)

Risk Identified	Driver	Impact Assessment	Mitigation and Management
Unforeseen large demand for Fund programs and other services	Staffing is inadequate for new level of country engagement	Budget and work pressures increase to meet the needs of membership	Initial response: internal reallocation, increased overtime, secondary response: use of contingencies. As last resort, increased funding.
Some portion of donor funding for Capacity Development discontinued	Rollover risk is inherent to donor financing. Overall risk considered low likelihood, low impact	Pressures on CD delivery in short-term, difficulty prioritizing	Planning of fundraising activities and alignment with Fund priorities via the CCB. Absorb costs via reallocation, adjust CD delivery over medium term.
Modernization projects do not yield efficiencies, or, take longer to implement than expected	Fund has insufficient capacity for change management	Resources diverted to implement major projects, lack of realized savings constrain core services	Robust individual project management and governance; establishment of a Change Management unit, ongoing monitoring of business cases and implementation timelines by a corporate Project Management Office.

SUMMARY PROPOSAL FOR FY 21

Within the total administrative appropriations, separate appropriations and expenditure ceilings are proposed for the Offices of the Executive Directors (OED), the Independent Evaluation Office (IEO), and other administrative expenditure in the Fund (Table 7). The capital budget is made up of two components: building facilities and information technology.

Table 7. Proposed Appropriations, FY 21
(Millions of U.S. dollars, unless otherwise noted)

	Other		OED	IEO	Total
Net administrative budget	1,104.7		74.7	6.7	1,186.2
Receipts	241.3		1.4	0.0	242.7
FY 21 carry forward (upper limit) 1/	32.3	2/	15.1	0.3	47.7
Total gross expenditures (limit)	1,378.4		91.2	7.0	1,476.6
Capital budget					98.7
Information Technology					56.3
Building facilities					42.4
Memorandum items:					
FY 20 Net administrative budget	1,076.6		75.3	6.4	1,158.4
Carry forward, upper limit (in percent)	3.0		20.0	5.0	n.a.

Source: Office of Budget and Planning.

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

1/ The actual amount that can be carried forward is the lesser amount of the underspend in the current year or the specified ratio (shown in the table) of the current year's net administrative budget.

2/ Available carry forward to increase by an estimated $4.7 million from OED central carry forward. Precise amount will be determined when end-year financial books are closed.

Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision 1. Administrative Budget for the Fund, FY 2021

A. Appropriations for net administrative expenditures for Financial Year 2021 are approved in the total amount of US$1,186.2 million, of which: (a) up to US$74.7 million may be used for the administrative expenditures of the Offices of Executive Directors, (b) up to US$6.7 million may be used for the administrative expenditures of the Independent Evaluation Office, and (c) up to US$1,104.7 million may be used for the other administrative expenditures of the Fund.

B. In addition to the amounts for net administrative expenditures appropriated under paragraph A, amounts appropriated for net administrative expenditures for Financial Year 2020 that have not been spent by April 30, 2020 are authorized to be carried forward and used for administrative expenditures in Financial Year 2021 in a total amount of up to US$47.7 million, with sub limits of (a) US$15.1 million for the Offices of Executive Directors, (b) US$0.3 million for the Independent Evaluation Office, and (c) US$32.3 million for the other administrative expenditures of the Fund.

C. A limit on gross administrative expenditures in Financial Year 2021 is approved in the total amount of US$1,476.6 million, with sub limits of (a) US$91.2 million for the administrative expenditures of the Offices of Executive Directors, (b) US$7.0 million for the administrative expenditures of the Independent Evaluation Office, and (c) US$1,378.4 million for the other administrative expenditures of the Fund.

D. The appropriations for "other administrative expenditures of the Fund" and the "limit on gross administrative expenditures" for FY 21 set out in paragraphs A and C above will be increased by the amount of the OED FY 20 central carry forward as determined in the FY 20 year-end closure of the Fund's financial books.

Decision 2. Capital Investment Framework

The key elements of the Fund's updated *Capital Investment Framework* are approved as set out in paragraph 1 of Appendix X.

Decision 3. Capital Budget Appropriations for Financial Year 2021

Appropriations for capital projects underway or beginning in Financial Year 2021 are approved in the total amount of US$98.7 million and are applied to the following project categories:

(i) Information Technology: US$56.3 million

(ii) Building Facilities: US$42.4 million

Appendix I. Key Budget Concepts

***Financial year* (t)**: **May 1(t-1) to April 30(t)**

E.g., FY 21 = May 1, 2020 to April 30, 2021

Administrative budget:

Gross (total spending envelope)

- (minus)

Receipts (donor funding + revenue)

=

Net (spending that needs funding)

Total Available Resources = **Net** + **Carry Forward**

Carry forward:

The right to spend budget allocations beyond the period for which budgetary authority is normally granted (12 months). The amount that can be carried forward (CF) in any given financial year is capped at 3 percent of the net administrative budget for staff, 5 percent for IEO, and 20 percent for OED. The CF can be the minimum of the underspend in the current year or the specified ratio (i.e. x = 3, 5, or 20%) of the current year's approved net administrative budget. Specifically:

$$\mathbf{CF_t = min\ (U_t,}\ \boldsymbol{x}\ \mathbf{B_t)}$$

Where:

U_t = underspend in current FY ($B_t + CF_{t-1} - E_t$)

B_t = net administrative budget in current FY

CF_{t-1} = carry forward from previous FY

E_t = net expenditures in current FY

x = ratio limit of CF

Global external deflator:

Starting in FY 21, the global external deflator will be the U.S. CPI projection as published in the most recent WEO.

Previously, global external deflator was calculated based on two components:

- Personnel component (70 percent)—Board approved structure adjustment for Fund salaries. It is determined exogenously as the outcome of the Fund's rules-based compensation system endorsed by the Board.
- Non-personnel component (30 percent)—based on an index that reflects most closely the Fund's non-staff related costs (travel, facilities, and IT). This is measured by the projected U.S. CPI in the most recently published World Economic Outlook (WEO).

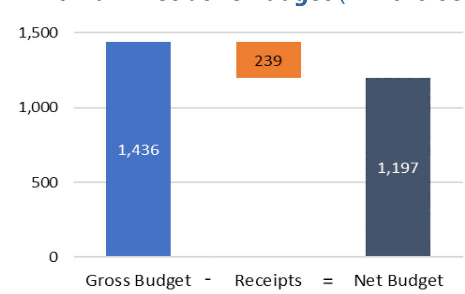
Capital budget:

Used to finance investments in information technology and building improvements and repairs. Given the long-term nature of these projects, capital budgets are available for a period of three years, after which time unspent appropriations lapse.

A project is included in the capital budget if it is for:

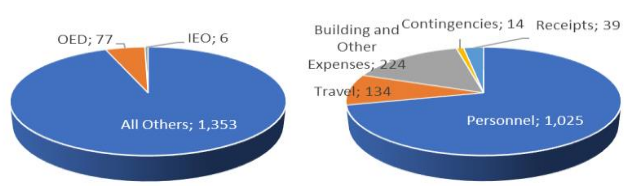
- the acquisition of building or IT equipment;
- construction, major renovation, or repairs;
- major IT software development or infrastructure projects.

FY 20 Administrative Budget (Millions USD)



Composition of Gross Spending, FY 20 (Millions USD)

(Including donor financed capacity development)



Source: Office of Budget and Planning

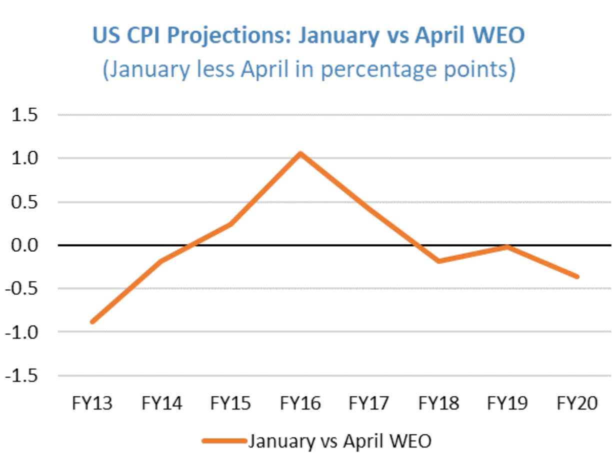
Appendix II. Revision of the Global External Deflator

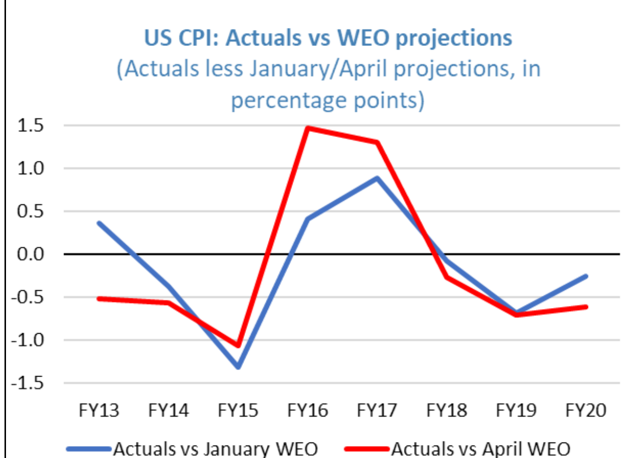
1. As part of the reforms adopted under the CCBR, the Fund's Global External Deflator (GED) has been modified and will now equal the projected U.S. CPI inflation as published in the most recent World Economic Outlook (WEO). Previously, the GED was set as the weighted average of the structural salary increase (70 percent) and projected U.S. CPI inflation (30 percent). As such, the CPI will have a much bigger impact on the nominal budget than it has historically.

2. Recognizing this greater impact and the need for predictability in budget planning and prioritization, staff will utilize the U.S. CPI inflation forecast underlying the January WEO Update (instead of the April WEO figure used under the old methodology) as the operational deflator for the Fund's budget process going forward. This recognizes that CPI forecast revisions late in the budget cycle, as are possible with use of the April WEO figure, could require potentially significant revisions to the budget, even after the budget paper has been issued to the Board for approval, severely complicating planning.

3. Historically, the January and April projection have differed in some years, but over time, these differences have evened out. The January and April projections also have a similar degree of forecast accuracy.

4. If forecast errors are one-sided for a prolonged period of time, the actual budget could diverge from the flat real concept, as forecast errors compound. This is independent of which CPI forecast—January or April—is used in the budget process. Staff will report in the annual budget outturn paper the inflation forecast errors from previous budgets and their cumulative impact, if any, on the budget envelope.





Appendix III. Assumptions Underlying the FY 21 Budget

The proposed FY 21 Budget has been formulated on some key assumptions reflected in the distribution of spending by major budget category (Table 1 and text tables).

1. **Salaries:** The proposal reflects the CCBR reforms (Appendix VII) including the change in the compensation methodology to a single salary increase for staff, as well as additional costs of about $1.1 million related to long-term contractual employees receiving the same single salary increase as staff. For FY 21, the proposed structure adjustment in the pay scale of 2.7 percent has been reflected in the personnel budget.[1] The single salary increase of 3.6 percent is funded by U.S.CPI inflation (the new budget deflator) plus space available from wage erosion. For FY 21 the space remaining after funding the single salary increase is in line with earlier estimates of $4½ million. To maintain budget neutrality in FY 21, no net additional savings from wage erosion are available beyond those already incorporated into the budget proposal. Once the net impact of the CCBR reforms becomes positive (projected in FY 23), additional savings will be available to fund other priority needs as outlined in the CCBR decision.

2. **Staff Retirement Plan (SRP):** The proposed contribution for FY 21 from the administrative budget to the SRP is 14 percent of estimated pensionable gross remuneration (PGR)—a rate consistent with the funding framework approved by the Executive Board in 2004 and reaffirmed by the Pension Committee, most recently in January 2016.[2] For FY 21, In line with the proposal by the Pension Committee, 13.06 percent of PGR will go to the SRP as indicated by the actuary, and 0.94 percent of PGR will be added to the pension reserve.[3]

3. **Retired Staff Benefits Investment Account (RSBIA):** The proposed FY 21 contribution from the administrative budget to the RSBIA is 7 percent of estimated PGR, or about $59 million. The 7 percent contribution rate is consistent with the funding framework approved by the Executive Board in 2012 and reaffirmed by the Pension Committee in January 2016 (footnote 2).

[1] See *2020 Review of Staff Compensation* (EBAP/20/28).

[2] See *Staff Retirement Plan and Retired Staff Benefits Investment Account–Five Year Review of Actuarial Assumptions and Methods, Funding Frameworks and Grossing-Up Formulas*, (RP/CP/16/1, 1/29/16).

[3] See *Fund Contribution to the Staff Retirement Plan in FY 2021* (forthcoming).

4. **Medical Benefits Plan (MBP):** Since the MBP reforms in 2008, contributions to the MBP have typically been indexed to the structural change in the pay scale. In light of accumulating reserves, in FY 16 and FY 17 the MBP premiums were held constant, and in FY 18, premiums were reduced by 7 percent. In FY 19 and FY 20, premium contribution rates were adjusted in line with the structure salary increase. For FY 21, MBP contribution rates are proposed to be adjusted in line with the proposed single salary increase.[4]

FY 21 Preliminary Personnel Spending 1/
(Millions of U.S. dollars)

Budget Category	FY 21
Personnel budget	1,055
Salaries	659
Staff, OED, and IEO	519
Other personnel	140
Other personnel budget	396
Retirement benefits 2/	120
Retired Staff Benefit Investment Account (RSBIA)	58
Health benefits	46
Tax allowances	42
Home leave	33
Children's education allowances	34
Child Care	4
Overseas allowances	24
Training and study allowances	12
Spouse and child allowances	7
Other benefits 3/	11
Other misc. personnel budget 4/	5

Source: Office of Budget & Planning.
Note: Figures may not add to totals due to rounding.
1/ Includes donor financing. Composition of budget line items pending finalization of donor-funded activities. Excludes spending funded from transitional resources.
2/ Includes the Staff Retirement Plan (SRP) and 401K retirement accounts.
3/ Includes spouse point and emergency travel, life insurance benefits, settlement allowances, and SBF separation incentives.
4/ Includes payments to non-Fund staff such as ICD participants, and other miscellaneous expenses.

5. **Expatriate benefits**: Airfares associated with home leave travel are expected to align with industry forecasts as adopted by the Transportation unit (CSF). Children's education allowances are expected to rise in line with CPI.

6. **Travel costs**: Based on the latest industry forecast, airfare increases are projected to be minimal across most key routes from North America. However, airlines have suspended flights to some regions due to health concerns, which may not affect prices in the near future, but may in the long run increase the airfares to recoup losses. Moreover, fares to South America are estimated to fall by 1 percent, as political volatility impacts business and trade activity.

[4] *Medical Benefits Plan (forthcoming)*. In FY 22, the MBP reserve is expected to reach the targeted reserve level set in the 2017 MBP review. Future adjustments to premium contribution rates may need to be set to more closely reflect actual MBP plan costs which have been increasing at an average annual rate of 5 to 6 percent per year.

7. **Other costs:** Other expenses are assumed to rise in line with the U.S. CPI. However, some expenses may rise by more than the U.S. CPI and need to be accommodated within the overall budget envelope.

8. **Standard cost by grade** (Text Table): Taken as a whole, salary and benefits combined give an indicative standard cost for each staff member (or "person year" cost). FY 21 standard cost rates are based on the 2020 midpoints as proposed to the Executive Board in the *2020 Review of Staff Compensation*, and adjusted for an assumption that benefits are spread equally across staff and grades.[5] This methodology protects privacy of individual staff and also prevents departmental hiring decisions made on the basis of individual demographics (such as age, family status, or nationality).

Preliminary Standard Cost by Grade, FY 21

(in U.S. dollars)

Grade	Standard Cost
B05	629,860
B04	546,890
B03	491,470
B02	443,170
B01	385,360
A15	385,360
A14	335,090
A13	281,590
A12	244,860
A11	212,920
A10	185,140
A09	161,000
A08	153,280
A07	136,850
A06	122,190
A05	109,090
A04	97,410
A03	86,980
A02	77,680
A01	69,420

Sources: Office of Budget and Planning and Human Resources Department.

Table 1. Preliminary Administrative Budget Envelopes, Breakdown by Major Expense Category, FY 21

(Millions of U.S. dollars, unless otherwise noted)

	Fund financed			Externally financed
	Structural Budget	Transitional resources 1/	Total	Budget
Net administrative budget (in FY 20 U.S. dollars)	1,158		1,158	...
Net administrative budget (in nominal terms) 2/	1,186		1,224	0
Gross administrative budget	1,223	38	1,261	206
Personnel	919	20	939	136
Travel	81	1	82	52
Buildings and other expenses	211	16	227	18
Contingency 3/	12		12	...
Receipts	-37		-37	-206
Carry forward (upper limit)	48		10	...
Total net available resources	1,234		1,234	...

Source: Office of Budget and Planning.

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

1/ In part funded by one-off legal reimbursement.

2/ The deflator is applied to the administrative budget (formulated in real terms) to obtain the nominal budget. For calculation of deflator see Appendix I.

3/ Includes the contingencies for staff, OED, and IEO.

[5] *Changing the Personnel Standard Cost* (EB/CB/08/5, 11/26/2008).

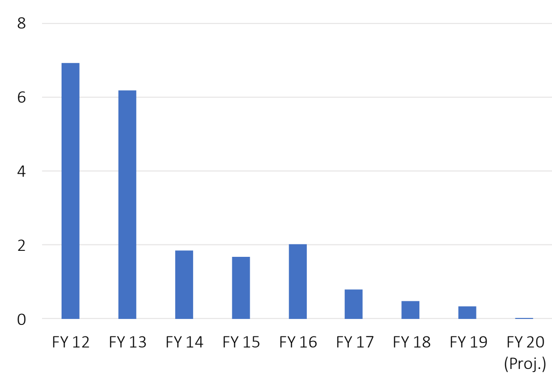
Appendix IV. Projected FY 20 Outturn

End-February projections assumed the FY 20 structural budget was fully utilized, with the carry forward intact and available for short-term needs in FY 21. As highlighted in paragraph 15 of the main report, this assumption is subject to significant uncertainty given the evolving circumstances related to the net impact of the Covid-19 outbreak impact on spending. Data in this Appendix reflects the status as of mid-February and does not project possible shifts between the main expense categories of personnel, travel, and building and other expenses, that could occur due to the above circumstances.

Budget utilization has steadily improved, supported by increased upfront allocation of carry-forward resources to departments in recent years. Better budget utilization has also contributed to improvements in workload indicators.

Net Underspend, FY 12-20

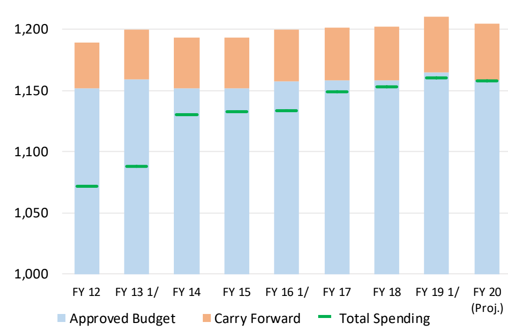
(Percent of budget)



Source: Office and Budget and Planning.
Note: Excludes additional contributions to the RSBIA in FY 12, FY 13, FY 16 and FY 17.

Budget and Carry Forward, FY 12-20

(Millions of U.S. dollars)



Source: Office of Budget and Planning.
Note: Excludes additional contributions to the RSBIA in FY 12, FY 13, FY 16, and FY 17.
1/ Includes travel to Annual Meetings abroad.

A. Spending by Activity

1. **The FY 20 budget provided increased resources for country work, Fund policies and internal support.** Set within a flat structural budget and an upfront allocation of $25 million in transitional funding, the budget aimed to increased country engagement with the membership, including on the enhanced governance framework and macro-financial surveillance, as well as support the various policy and analytical initiatives throughout the Fund (e.g. trade, digital economy, public debt, international taxation). Resources were also provided to carry out the Comprehensive Compensation and Benefit Review (CCBR) and other key modernization initiatives, including 1HR, Digital Workplace, knowledge management, and systems and platform infrastructure improvements. Additionally, the budget reflected reallocation within and across departments of about $33 million (about 3 percent of total spending), including modest savings from departmental efficiencies and central savings, such as holding the travel budget constant in nominal terms.

2. **Relative to estimated structural resources, spending on outputs is expected to be broadly as envisaged with Fund-financed resources projected to shift mainly towards country operations and internal support** (Table 1 and Appendix VIII)**.** As envisaged, within country work, there has been a leveling off in budgeted CD spending, although spending on other aspect of *country operations* are projected to increase. Planned spending in area departments suggests a shift from bilateral surveillance to lending as work on intensified programs continue in AFR and WHD. Spending on *internal support* is projected to be higher than budgeted structural resources due to continued efforts on the modernization projects. Slightly higher spending relative to budget on *multilateral cooperation* reflects increased activities on flagships and general research. Analytical work is seeing an uptick, partly driven by spending on cybersecurity-related projects (e.g. fintech) and monetary and financial policy work. Fund governance is predicted to come lower than budget due to underspend in governance departments (SEC, OED, OMD), although broadly in line with previous year's level.

Table 1. Gross Administrative Fund-Financed Resources: Allocation by Output (direct costs), FY 18–20

Table 1. Gross Administrative Fund-Financed Resources: Allocation by Output (direct costs), FY 18–20

(Millions of FY 20 U.S. dollars)

	FY 18 Outturn	FY 19 Outturn	FY 20 Estimated Structural Resources	FY 20 Projected Outturn
Total	**1,197**	**1,201**	**1,197**	**1,191**
Analytical Work	92	93	99	100
Multilateral surveillance	73	69	72	71
Country operations	460	467	466	471
Global Solutions/Multilateral Cooperation	48	47	44	45
Fund policies	36	37	35	36
Fund finances	30	30	29	29
Governance and membership 1/	117	115	119	117
Internal support	310	322	295	307
Miscellaneous 2/	20	21	24	15
Contingency	. . .	. . .	15	. . .
Reconciliation item 3/	9	0	. . .	. . .

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES). Mapping based on staff estimates.
1/ Governance and membership encompasses work supporting the Board of Governors, the Executive board, Management, and internal functions such as risk management and internal audit; it also covers work on quota and voice.
2/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated to specific outputs within the ACES model.
3/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

B. Spending by Inputs

3. **The overall high utilization is reflected in the main budget categories** (Table 2)**.** Spending on personnel and buildings and other services is projected to be higher than the structural budget but can be offset by the projected underspend in travel.[1] At the aggregate, carry forward funds will remain available to meet transitional needs in FY 21. Externally funded activities, symmetrically captured in receipts and expenses, are estimated to end the year above FY 19 outturn ($175 million), and slightly below the established operational target for FY 20.

[1] A more detailed breakdown of expenditures over the past years is presented in the Statistical Tables, Appendix XII.

Table 2. Net Administrative Budget: Estimated Outturn, FY 19–20
(Millions of U.S. dollars)

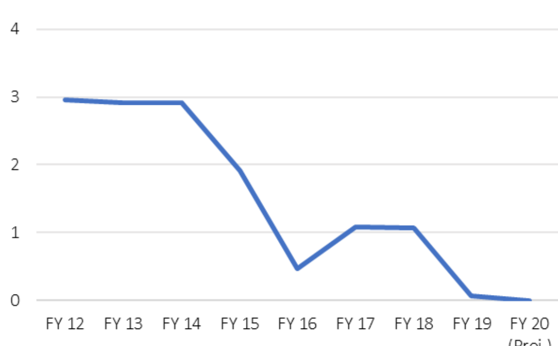
	FY 19		FY 20					
	Budget	Outturn	Budget			Projected outturn		
	Total	Total	Fund-financed	Donor financed	Total	Fund-financed	Donor financed	Total
Gross expenditures	**1,371**	**1,346**	**1,197**	**200**	**1,397**	**1,191**	**191**	**1,383**
Personnel	1,009	995	893	132	1,025	908	127	1,035
Travel	135	126	81	52	134	68	41	108
Of which: Annual Meetings	*6*	*5*						
Buildings and other expenses	215	224	208	15	224	215	24	240
Contingency 1/	12	...	15	0	15	...	...	...
Receipts	-236	-214	-39	-200	-239	-34	-191	-225
Net expenditures	**1,135**	**1,131**	**1,158**	**0**	**1,158**	**1,158**	**0**	**1,158**
Memorandum items:								
Carry forward from previous year	46		47		47			
Total net available resources and spending	1,181	1,131	1,205		1,205	1,158		1,158

Sources: Office of Budget and Planning and PeopleSoft Financials.
Note: Figures may not add to totals due to rounding.
1/ Represents the contingencies for staff, OED and IEO.

Personnel

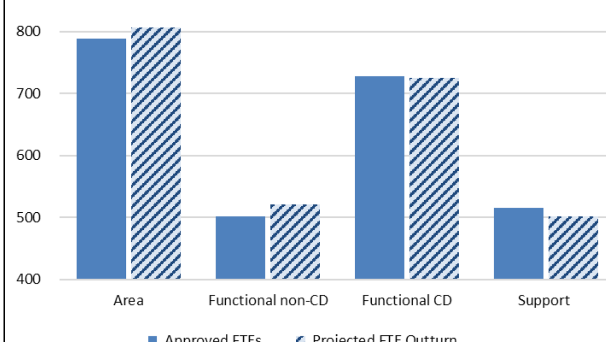
4. **Spending on Fund-financed personnel is projected to slightly exceed the structural budget.** Vacancies have continued to decline and similar to last year, at the aggregate, departments are projected to end FY 21 with an average vacancy rate of zero percent and some usage of transitional positions. Vacancies vary by department type: while area and functional departments are projected to slightly exceed their approved structural FTEs, CD departments are projected to be close to and support departments below structural levels.

Vacancy Rate, FY 12-20
(Percent)



Source: Office of Budget and Planning.
Relative to approved Fund-financed positions.

Fund-financed Budgeted Staff Positions vs Projected Outturn, by Department Type, FY 20
(FTEs)

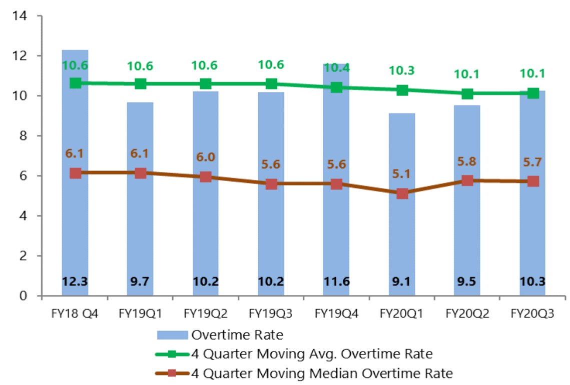


Source: Office of Budget and Planning.

5. **Better budget utilization and increased resources have contributed to improvements in workload indicators.** Fund-wide quarterly moving average overtime rate for staff declines to 10.2 percent, with the median rate trending significantly lower than average rates. Also, the Fund-wide average uncompensated overtime rate (staff and contractuals) dropped to 10.2 percent in the first nine months of FY 20 relative to same period last year.

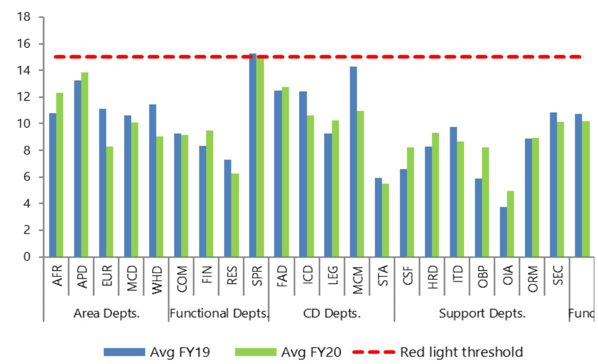
Average Fund-wide Overtime Rate, Past 2 Years[1/]

(Staff only; percent)



Uncompensated Overtime Rate, May-January[1/]

(Staff and Contractuals; Percent)



Sources: TRACES and HRPROD.

[1/] Data excludes regional offices. Expressed as a percentage of actual hours worked (i.e., regular hours minus leave).

Travel

6. **Utilization of the travel budget is projected to be about 85 percent, before considering the possible impact of travel restrictions due to the Covid-19 outbreak (text table).** The decline in volume of travel (lower relative to last year and considering the recent health-related concerns and travel restrictions) together with departments' continuous efforts to improve travel management practices is contributing to lower travel spending. The cost per mile for the first eight months of the year is similar to last year, at about $0.38 (text table). Airline contracts are being extended, aiming to retain current discounts but with enhancements in regions where carrier mix could be more favorably aligned with the Fund's footprint. Changes are expected to go into effect early FY 21. The travel budget will again be held constant in nominal terms in FY 21.

Travel, FY 19-20
(Fund-financed, millions of U.S. dollars)

	FY 19		FY 20	
	Budget	Outturn	Budget	Proj. Outturn
Total	**87**	**79**	**81**	**68**
Business 1/	72	65	65	54
Seminars/Participants	4	4	4	3
Settlement	9	8	9	9
Miscellaneous travel	2	2	2	2

Source: Office of Budget and Planning.
1/ FY 19 budget includes $6 million for travel to the Annual Meetings in Indonesia.

Average Cost per Mile, FY 13-20
(U.S. dollars)

	FY 13	FY 14 1/	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 2/
Average cost per mile 3/	0.39	0.41	0.39	0.37	0.36	0.37	0.38	0.38

Source: Corporate Services and Facilities Department.
1/ Costing methodology for cost-per-mile changed beginning with FY 14.
2/ FY 20 cost per mile is based on the first eight months of data (May-December).
3/ Indicator is based on international travel only.

Buildings and Other Expenditures

7. **Spending on buildings and other expenses is projected to be above the structural budget** (Table 3)**.** Most categories (building occupancy, IT, communication and supplies) are projected around budgeted levels. Spending on contractual services, subscription and printing, in aggregate, is similar to last year. In FY 20, there was a structural shift in the treatment in the commercial data subscriptions.

Table 3. Building and Other Expenditures, FY 19–20
(Fund-financed, millions of U.S. dollars)

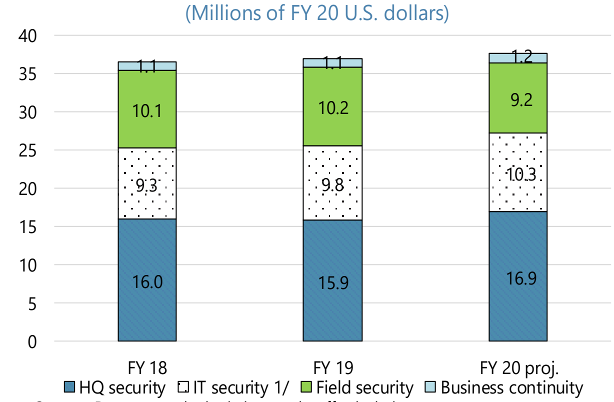
	FY 19		FY 20	
	Budget	Outturn	Budget	Proj. outturn
Total	**205**	**210**	**208**	**215**
Building occupancy	63	65	65	65
Information technology	69	66	70	70
Contractual services	33	35	42	36
Subscriptions and printing	20	21	14	21
Communications	7	7	7	8
Supplies and equipment	4	6	4	5
Other	8	11	7	10

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.

Security Expenditures

8. **Security spending is projected at about $38 million in FY 20, at similar level in real terms as last year (text figure).** As spending for the regular replacement cost of the Fund's armored vehicles fleet (captured under "Field security") is now charged to the capital budget, the decrease reflects mainly a change in recording of expenses (and source of funding). In addition to this change, lower cost related to alterations to field offices and residences resulted in lower spending in ***field*** security. Offsetting this decrease is an increase in ***Headquarters*** (HQ) Security mostly due to the new guard contract agreement, new Emergency Response App (Everbridge) and filling vacancies in the security team. Spending on ***IT security*** is projected to increase by 5 percent mainly for infrastructure vulnerability management support costs due to the increase of vulnerability incidents and tickets

Security-related Spending, FY 18-20
(Millions of FY 20 U.S. dollars)



Sources: Departmental submissions and staff calculations.
1/ Starting FY 19, recalibration of IT security categories.

and mobile device support cost. Spending on ***Business Continuity*** increased slightly due to a new business continuity tool (Fusion) launched in FY 20.

Receipts

9. **Receipts from externally financed capacity development activities and Fund-financed operations are expected to end the year near planned levels** (Table 4). Externally funded receipts are projected to grow by about 4 percent (about $191 million) compared with FY 19, just below the target set at $200 million. An overall shortfall in general receipts is projected mainly due to lower sales of publications, reflecting the change to digital and free data. The loss of revenue will be reflected in the FY 21 budget. Parking revenue is still below but expected to pick up as parking spaces previously used for HQ1 Renewal construction storage are becoming available. Measures to increase the revenue from the Concordia will be explored in FY 21 together with setting realistic revenue expectations.

Table 4. Receipts, FY 19-20
(Millions of U.S. dollars)

	FY 19		FY 20	
	Budget	Outturn	Budget	Proj. outturn
Total	**236.0**	**214.7**	**238.9**	**225.1**
Externally financed capacity development (direct cost only)	196.3	178.0	200.0	191.4
General receipts	39.7	36.7	38.9	33.7
Of which:				
Administrative and trust fund management fees 1/	13.7	12.2	14.0	13.4
Publications income	2.6	1.7	2.6	0.5
Fund-sponsored sharing agreements 2/	3.7	2.8	3.8	2.9
HQ2 lease 3/	2.2	2.0	1.3	1.0
Concordia	3.7	3.1	3.7	3.1
Parking	3.2	2.5	3.3	2.9

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.
1/ Trust fund management fee of 7 percent under the new financing instrument.
2/ Includes reimbursements principally provided by the World Bank for administrative services provided under sharing agreements.
3/ Lease agreement with the World Bank expired. FY 20, includes Credit Union and retail tenants.

C. Capital Investments

10. **Capital spending projections of $104 million are lower than last year, mainly due to the completion of the HQ1 Renewal project, which was completed in September 2019, as scheduled (Table 5).** While the HQ1 Renewal project was winding down, Facilities and IT spending have increased from last year's levels. Projects supporting the HQ1 Renewal completion, such as furniture replacement, tenant renovations, and HQ1 atrium enhancements (relocation of the bistro and acoustical improvements) contributed to the increase in facilities spending.

Table 5. Capital Expenditures, FY 19-20[1/]
(Millions of U.S. dollars)

	FY 19 Spending	Total Funds Available in FY 20	FY 20 Spending (Proj.)
Total	**141**	**196**	**104**
Facilities	29	89	40
Information Technology	31	68	40
HQ1 Renewal	82	39	24

Sources: Office of Budget and Planning, Corporate Services and Facilities, and Information Technology Departments.
1/ Approved capital funding is available for three consecutive years, except for HQ1 Renewal which is available until April 2025.

Modernization activities are driving the higher IT spending, with 1HR implementation in full swing, Capacity Development Management and Administration Program (CDMAP) design and configuration beginning and a number of prerequisite projects underway, such as the new Identity and Access Management system and Corporate Data Warehouse. Per capital appropriations rules (funding available for three years), the unspent balance of approximately $92 million will carry into FY 21.

11. **After projected spending of $104 million, the remaining unspent appropriations from prior years are earmarked largerly for the IT modernization agenda and assets replacements and upgrades.** Remaining funds in the HQ1 Renewal project primarily represent the last of the contingency reserve, which will be kept for some time in order to accommodate any unforeseen closeout activities (see *EBAP/19/110—HQ1 Renewal Project—Q2 FY 2020 Quarterly Progress Report*).

Appendix V. Strategic Budget Information

1. **Reporting on budget planning and execution has become more detailed and output oriented over time. Initially, the budget process focused on the cost of Fund inputs such as personnel or travel.** In F Y11, in response to an IMFC request, the Fund introduced a costing model—Analytical Costing and Estimation System, ACES—based on time reporting that allowed reporting by outputs and on shifts between output categories.

2. **The output hierarchy captures five main outputs of the Fund's core work: multilateral and bilateral surveillance, lending, capacity development, and oversight of global systems.** A balance was struck in developing the list of outputs and activities to ensure sufficient precision in data capture, while avoiding excessive complexity and thus compromising data quality. The model has been used extensively for budget planning and reporting on the Fund's core outputs. It has been supplemented with ad hoc surveys for specific activities that do not fall exclusively within one output category.

3. **Budget reporting is evolving to meet demands for more granular information.** OBP has worked with SPR and KMU to develop taxonomies to better capture activities across the Fund in a systematic manner. An initial version of the Fund's Thematic Framework (FTF) was used to present the FY 20 budget and an updated version has been utilized in the FY 21 budget cycle. Looking ahead, OBP will continue its work to refine and broaden the strategic framework for budget reporting in coordination with other departments to better capture cross-sectional or cross-cutting topics, such as debt or climate change, across different activities. This work also links to a related process for strengthened reporting on the Fund's CD activities and facilitate budget risk identification.

Appendix VI. Implementation Status of the FY 19 Streamlining and Modernization Measures

In mid-2018, Management endorsed a broad-based package of measures, focused on implementing more strategic and targeted practices in the Fund's core work, supporting greater traction, and updating support and back-office functions.[1]

- **Surveillance:** In bilateral surveillance, country teams are taking a more focused and selective approach in their coverage of issues and how these are communicated (e.g., between FY 18 and FY 20 (May-December), the average number of chapters per Selected Issues Paper has declined from 3.2 to 2.6, and the average length from 50 to 39 pages. Shorter and more reader-friendly flagships and REOs are enhancing the impact of our multilateral surveillance products. Staff also took steps to "go green," in the area of publications through a more strategic and selective use of print, moving to digital-only versions.

- **Outreach:** An interdepartmental Outreach Strategy Group (OSG) has been formed, composed of Department Heads and chaired by COM, to smooth bunching of planned conferences, merge high-level conferences with similar objectives, and improve the alignment of conferences with institutional goals.

- **Support functions:** Processes and systems for HR, CD administration, data and knowledge management, and to increase accessibility of information across the Fund are being addressed through the large modernization projects (Box 7). Smaller projects have focused on the potential for relocating, outsourcing, and/or automating processes. Robotic process automation (RPA), a technology that allows end-users to automate structured processes, is being piloted in FIN, ICD, and OBP, with a current review to feed into ongoing efforts in other departments.

- **Governance:** One area in which only limited progress has been made is in streamlining the Board Work Program. The target was to reduce the number of policy items to 50 (from a peak of 71 in Fall 2017); the Fall 2019 Board Work Program has 69 policy items.

While initial savings have been realized, substantial investments are needed during the interim period to reap further gains over the medium term. For FY 20, savings of $2.2 million are expected, including from streamlined multilateral surveillance, publications, printing, and SIPs. The FY 21 budget reflects the significant upfront investments in modernization in both staff resources and systems, affecting both the capital and administrative budgets.

[1] "Modernizing and Streamlining Fund Operations—Achieving Further Progress," FO/DIS/18/87.

Appendix VII. CCBR and HR Reorganization—Budget Implications

The budget impact of the CCBR reforms on the FY 21-23 budget is broadly neutral, with some savings beginning to materialize in FY 23 (Table 1). Full savings will only be realized over a longer horizon. The HR Reorganization generates savings by centralizing HR functions and reducing the number of staff involved in delivering these functions.

Budget Implications of the CCBR

1. **The 2019 CCBR modified some key elements of the Fund's compensation and benefits package.** These include a revision of how the salary increase is calculated, changes to home leave and the education allowance, as well as introduction of new family-friendly benefits, such as a childcare allowance and enhanced parental leave.

Table 1. Estimated Financial Impact of Principal CCBR Proposals—Steady-State and FY 21-25[1]

(Millions of FY 20 U.S. dollars)

		Annual Budgetary Impact Compared to Baseline Savings / (Costs)					
Item	Reform Proposal	Steady-State Annual Savings / (Costs)	FY 21	FY 22	FY 23	FY 24	FY 25
CCBR Costing:							
Reforms generating savings		**19.1**	**5.4**	**6.6**	**9.7**	**13.3**	**13.9**
Reforms requiring funding		**(8.5)**	**(5.5)**	**(8.5)**	**(8.5)**	**(8.5)**	**(8.5)**
CCBR: Net Savings (+)		**10.5**	**(0.1)**	**(2.0)**	**1.2**	**4.8**	**5.4**
Other Initiatives:							
Measures to support Fund competitiveness	Selective use of: higher starting salaries, hiring bonuses, scarce skills / retention premia; larger increases at promotion; more training and development.	(4.5)	(0.0-4.5)	(0.0-4.5)	(0.0-4.5)	(4.5)	(4.5)
Modernization (1HR/CDMAP)	Estimated savings	10.1	(0.4)	6.0	10.1	10.1	10.1
SRP	Updating of grossing up formulas	10.0		10.0	10.0	10.0	10.0
Other initiatives: Net Savings (+)		**15.6**	**(8.2)-(3.7)**	**11.5-16.0**	**15.6-21.0**	**15.6**	**15.6**
TOTAL: Net Savings (+)		**26.1**	**(8.3)-(3.8)**	**9.5-14.0**	**16.8-21.3**	**20.4**	**21.0**

Sources: HRD and OBP.
1/ Takes into account the delayed implementation dates for certain benefits.

New Benefits

2. **Childcare benefit of $12,000 per child up to age 5 for all regular staff and long-term experts, with an effective date of October 1, 2020.** Current expatriate staff will be given the choice of either the childcare allowance or the tertiary education allowance (see below).[1] The annual cost of this benefit is estimated at $7.2 million, assuming some staff will forfeit childcare benefits for

[1] This choice will be given to current expatriate staff who have children under age five and their future children.

future tertiary education benefit. The FY 21 budget assumes $4.2 million reflecting the effective date of October 1, 2020. Actual take up of this benefit will only be known over time.

3. **Merit pay and short-term disability insurance for long-term contractual employees**. Starting in May 1, 2020, contractual employees will receive the same single salary increase as staff. Estimated cost increase is $1.1 million on an annual basis, representing the difference between the salary increase and the U.S. CPI. Short-term disability will have an annual cost increase estimated at $0.2 million.

Changes in Existing Compensation and Benefits

4. **Methodology for compensation (salary) increases**. A new mechanism will calculate a single annual salary increase based on the Fund's comparators.[2] This change in methodology is expected to deliver some savings, given historical patterns of the salary increases of Fund comparators and budgetary space created by wage erosion at the Fund. As agreed by the Board, when the gross impact of the CCBR becomes positive (expected in FY 23), the part of the wage erosion not required to cover nominal salary increases could help finance targeted measures to bolster the Fund's competitiveness such as higher starting salaries for hard-to-fill positions, selective hiring bonuses for EPs and scarce skill.

5. **Home leave and education allowance for expatriates.** Reforms include streamlining the eligibility cycle to 24 months for home leave, thus eliminating the 18-month option, and reducing the incidental allowance from $5,000 for staff member and $2,000 for each eligible dependent to $2,000 for staff and $1,000 per dependent. This change is expected to reduce the cost of home leave in the long run by $4.4 million. For tertiary education, new staff will no longer be eligible for this benefit. The near-term budgetary impact will be small as it will only impact new staff with college-aged children. Over time, there may also be an impact as eligible staff who choose the childcare allowance option would not receive the tertiary education allowance.

6. **Other reforms related to mandatory enrollment for retirees in Medicare Part B, elimination of spouse points, and changes to the installation allowance.** In the medium term, these reforms are expected to reduce costs by up to $1mllion. Full saving from mandatory enrollment of Medicare Part B can only be realized when all Fund retirees have enrolled. The elimination of spouse points is phased in over three years, with savings partially offset by temporary costs before full savings are realized in FY 24. The reform to the appointment/installation allowance will kick in mid-year and is expected to yield full savings in FY 22. For FY 21, the budget assumes a saving of $0.4 million to be reallocated for other priorities.

[2] Under the new compensation methodology (EBAP/19/104), the salary structure adjustment and the single salary increase are delinked. Hence, a safeguard mechanism is implemented that assesses annually whether the salary increase leaves aggregate salaries below a comparatio of 98 percent or above a comparatio of 102 percent—the comparatio is calculated as the ratio of the average actual salaries in a grade to that grade's midpoint.

Budget Implications of the HR Reforms

7. **The 1HR project will modernize, simplify, and transform the way the Fund delivers its HR services**, through streamlined business practices, best in class cloud software, and enhanced controls, providing flexibility to accommodate future policy, practice or regulatory changes (e.g., HR Strategy and CCBR). The project was presented to the Board on June 26, 2019. The total project costs were estimated at $44 million with a preliminary steady-state net capturable benefits of $8.2 million, leading to a project payback period of about 6 years.

Savings Capture Plan in the FY 21 Budget Process

8. The 1HR project and the associated reorganization of the HR service delivery model implied several budgetary reallocations:

- An elimination of the HR-related functions that were decentralized to departments in the past and that will be undertaken by HRD in the new model (e.g. Senior Personnel Managers, HR Business Partners and some Office Manager functions). Implementation of structural staffing changes began in early March and will be implemented in stages through fall 2020;
- An increase in the size of HRD to implement the new service delivery model, supported by the new technology;
- Increased license and subscription costs in ITD, offset by reduced costs in supporting the legacy HCM systems and other (smaller) savings in FIN and OBP on HR administration.

9. **The savings capture plan for 1HR has been finalized and implemented as part of the FY 21 budget formulation process.** Structural savings consistent with the 1HR project steady state and the associated reorganization of the HR service delivery model were captured and reallocated to other Fund priorities. At the same time, departments received transitional resource to smooth the transition to the steady state, including as 1HR completes delivery in FY 21.

10. **Final savings captured in the FY 21 budget are $6.5 million, somewhat below the preliminary estimate of $8.2 million given some additional staffing needs relative to the original projection to support steady state implementation in HRD of the new model.** This implies a project payback period of just over 8 years.[3] Table 1 outlines the main budgetary components of the reform as reflected in the FY 21 budget.

[3] A further update of project implementation will be provided to the Board as part of the regular briefings by the CIO on transformational project implementation this summer.

Table 2. Savings from 1HR and the New HR Service Delivery Model

(in FY 20 USD millions and FTEs)

	FY 20 Baseline		FY 21		Change (Savings (-)/Increase(+))	
	FTEs	USD	FTEs	USD	FTE	USD
	a	*a**	*b*	*b**	*b-a*	*b*-a**
HRD	91.0	35.0	110.0	39.5	19.0	4.5
Decentralized HR Funtions	40.4	11.6	0.8	0.6	-39.6	-11.0
Other (FIN, OBP)	17.0	3.0	15.7	2.8	-1.3	-0.2
IT (current systems) 1/	6.5	4.4	3.5	1.1	-3.5	-3.3
IT (new systems) 1/				3.4		3.4
Total	**154.9**	**54.0**	**130.0**	**47.5**	**24.9**	**-6.5**

1/ IT related budget impacts reflect steady-state and will be achieved in FY22.

Appendix VIII. Selected Policy Reviews and Evaluations in CY 2018-19

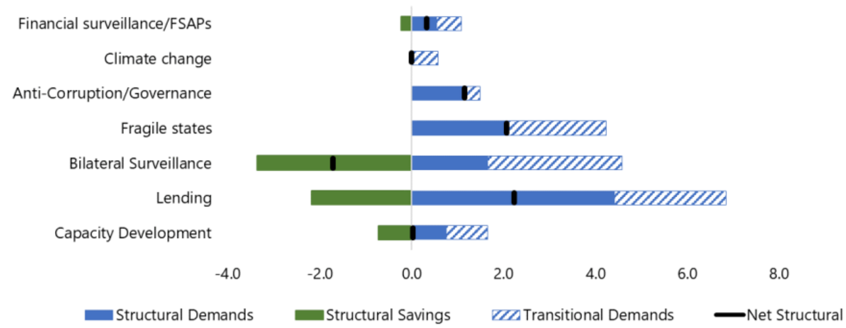
	Title	How resource implications have been addressed
Surveillance	AML/CFT Strategy	Shift to fewer Fund-led assessments, increased staff participation in global review and training efforts. FY 20-22 MTB allocated $0.3 million for follow-up to the review. FY21-23 MTB proposes $0.6 million in support to LEG for work on Fund-supported programs, including on AML/CFT issues.
	Enhanced Governance Framework	Enhanced framework adopted. Assessment of resource implications to be carried in the context of the FY 20 MTB. In FY 20, $2.4 million was provided mainly to functional departments (see ¶20 for further details on funding and costing of governance work).
	IMF Engagement on Social Spending	Strengthen engagement. Guidance note to be completed by end 2020. Additional resource needs not expected to be significant, beyond some set-up costs.
	IEO Evaluation of Financial Surveillance	Called for an increase in resources for financial surveillance. Some resource increases have been provided in FY 20 and FY 21; further changes to be discussed in the context of the ongoing CSR and FSAP reviews, to be completed in FY 21. See ¶20 for further details on funding and costing of financial surveillance work.
	IEO Evaluation of work on Fragile States	Called for greater support to fragile states. See ¶20 for further details on funding and costing of work on fragile states.
Lending	Review of Facilities for Low Income Countries	Implications of reforms on the self-sustained PRGT financing framework discussed.
	Review of Conditionality	The budgetary impact is not expected to be significant, in the context of efforts already planned to strengthen Fund lending and policies.
CD	Capacity Development Strategy	With limited scope for additional resources to support CD-related activities, efforts to strengthen Fund CD will likely need to be accomodated within the existing budget envelope
HR	Recruitment and Retention; Diversity and Inclusion	Use opportunity from forecast retirements and resignations to increase the share of nationals from underrepresented regions, including potentially by investing in capacity development for MENA and GCC nationals through the expansion of Special Appointee Program, Fund Internship Program, and Research Assistant Programs.

Appendix IX. Detailed Breakdown of the FY 21 Budget Proposal

This appendix provides further details on the proposed change in resources by Fund Thematic Categories. As noted, this presentation does not reflect reallocation of resources to address Covid-19 related needs.

Enhanced Engagement with Members

Country Operations



FY 20 Projected

$471 million

Net Structural

Net structural demands for country operations of $4 million.

Demands

New structural resources of $10½ million, including $3.8 million to support work on priority topics (governance, financial surveillance/FSAPs, fragile states, and climate change). The remainder relates to program engagement ($4½ million) and bilateral surveillance ($1.7 million), including resident representative offices, and support from functional departments (e.g. LEG). A revenue reduction of $0.4 million results from the policy decision to prioritize CD away from high-income countries.

Savings

Savings of $6½ million mainly from some reprofiling of field presence (some shifts in location, also some staffing at lower grades); partially offset by new transitional resources for field presence.

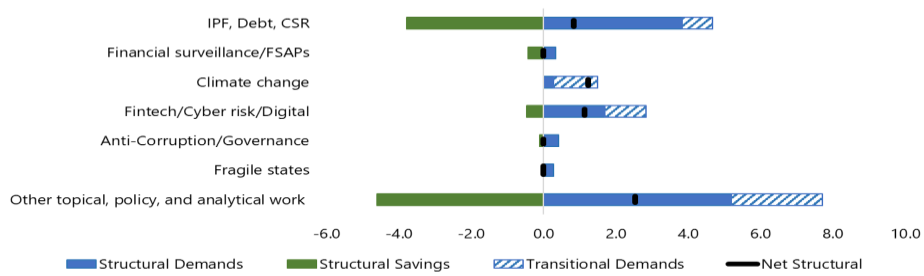
Transitional Needs

Temporary resources of $10 million:

- $3½ million for work in priority areas, mainly on FCS and financial surveillance, and for climate change and anti-corruption/governance work.
- $2.9 million for bilateral surveillance (including systemic country work in EUR, MCD, WHD).
- $2.4 million for activities in support of lending, including field presence (APD, EUR, MCD, WHD). Reflects current outlook for Fund engagement**.**
- $0.9 milion for capacity development, including for the CCAM center coordinator (MCD), Financial Sector Advisor in China (MCM), and implementation of SDG costing (FAD).

Strengthen Analytical Work in Priority Areas

Analytical Work, Multilateral Surveillance and Cooperation, and Fund Policies



Source: Office of Budget and Planning.

FY 20 Projected $253 million

Net Structural Demands

Net structural demands across these categories is $2½ million.

Structural demands of $12 million for:

- Work in *priority areas* of $3 million, most of which for cyber-related areas (fintech, digital currencies, cybersecurity, and digital economy issues); mostly in MCM, but also LEG and SPR. In *Fund policy work*, review of the enhanced governance framework and continued work on FCS.
- Work on *debt, CSR*. $3.8 million. Primarily for work on debt policy, MAC DSA, follow up to the CSR, arrears policy, safeguards, and the global financial stability net.
- An additional $5¼ million for work on a range of issues, including AML/CFT, LIC matters, inequality and social protection.

Savings

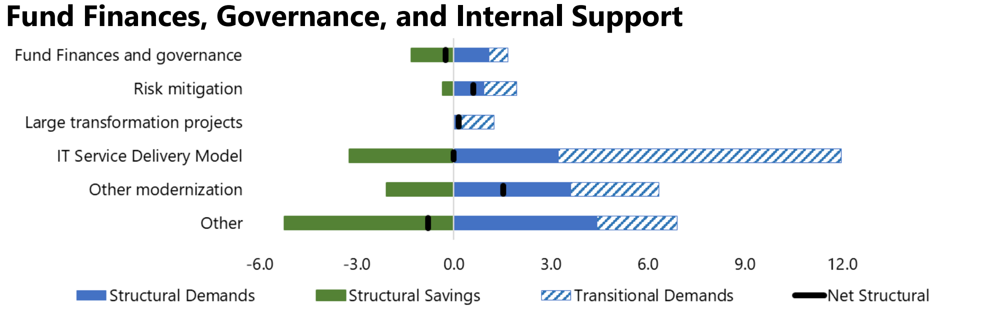
Savings of $9 million arise from the conclusion of reviews whose work will be mainly completed by FY 21 (review of FSAP and PRGT eligibility).

Transitional Needs

Transitional funding of $5.7 million:

- $2.3 million for priority areas, such as climate and cybersecurity.
- $3.4 million for work on the IPF ($0.8 million), support to the G-20 presidencies, gender and strengthening collaboration with the World Bank.

Transitional Spending on Internal Modernization and Risk Management



Source: Office of Budget and Planning.

FY 20 Projected $452 million

Net Structural Demands

Net structural demands of $1.2 million.

Structural demands of $13.4 million:

- *Fund finances and governance*. $1.1 million, including staff work related to IEO evaluations, and Annual and Spring Meetings.
- *Risk mitigation.* While much of the spending on risk mitigation (particularly on information security) falls under the capital budget (see Section F), $1 million in structural resources are proposed for physical and information security, third-party risk management, and copyright issues.
- *IT Service Delivery Model.* ($3.2 million). Tthe planned move to a new IT service delivery model should generate savings over time and help both contain the overall level of IT spending and direct it towards the key priorities.
- *Other modernization.* $3.6 million, mostly from the structural loss in revenue of $2 million as digital publications are made free of charge.
- *Other.* ($4½ million). Activities underlying this category show high reallocations each year related to the revolving work agenda in FIN (e.g. the upcoming review of investment activities). Also included is a reduction in revenue from the sharing agreement with the World Bank on the Joint Library ($0.6 million).

Savings

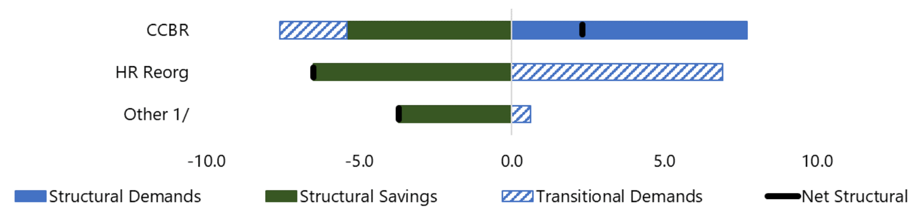
Savings of $12 million, with a large part coming from yearly reallocations in FIN (e.g completion of the Somalia debt relief and Precautionary Balances Review). Savings also from modernization initiatives (e.g., cessation of print versions of regular statistical publication, completion of CCBR work) and offsets to the IT service model described above.

Transitional Needs

$16.6 million, with $8.7 million to support ITD's new service delivery model and the legacy system until iData is completed. For staff supporting the large transformation projects, $1 million; risk mitigation (TPRM, security - $1 million); other modernization initiatives including strengthened change management ($2.7 million); and other needs such as video wall content and the shortfall in revenue from the Concordia and parking fees collection.

Savings in this area Help fund Other Priorities

Institutional needs



Source: Office of Budget and Planning.
1/ Includes price adjustments in commercial data subscriptions, adjustments related to the CCBR and HR Reorg and savings from holding the travel budget constant.

Net Structural This category encompasses corporate spending and saving for services that are shared across the Fund. Net structural savings of $8 million are expected.

Demands Structural resource needs arise from the CCBR implementation (see Appendix VI) in particular from the introduction of the childcare allowance.

Savings Savings arise from the CCBR, HR reorganization, holding the travel budget flat in nominal terms, and other streamlining efforts.

Transitional Needs Transitional funding of $5.3 million, mostly related to the shift to the new HR service delivery model. $0.6 million for commercial data (whose pricing increases faster than the CPI). Some transitional savings in FY 21 from the staggered implementation of some CCBR measures.

Appendix X. Proposed Capital Investment Framework

Summary

1. The Board is asked to approve the following key elements of a proposed update to the Fund's *Capital Investment Framework* (CIF):

- The annual capital budget will continue to be presented separately from the administrative budget.

- On an annual basis, the Board will be called on to appropriate overall annual capital needs. To support this decision, the Board will be provided the following information, disaggregated as described below: a) information on the key uses of the proposed appropriation, b) the total estimated costs of projects included in the request and c) the overall medium-term capital plan.

    - For large transformational projects, the capital budget will include project-by-project information, including any cost of upfront scoping work and, as soon as available, estimates of total costs. In addition, the Board's endorsement will be sought for large, transformational projects prior to implementation. Staff will engage with the Board to present *ex-ante* project justification, including a business case and cost-benefit analysis (CBA) and provide the Board with periodic progress updates thereafter. Approval of annual spending needs may be sought in the budget paper prior to Board endorsement of the project justification, with use of the funds contingent on obtaining the endorsement.

    - For all other projects, the capital budget will be presented based on project portfolios. The capital budget will include information on the number and types of projects and total estimated portfolio costs.

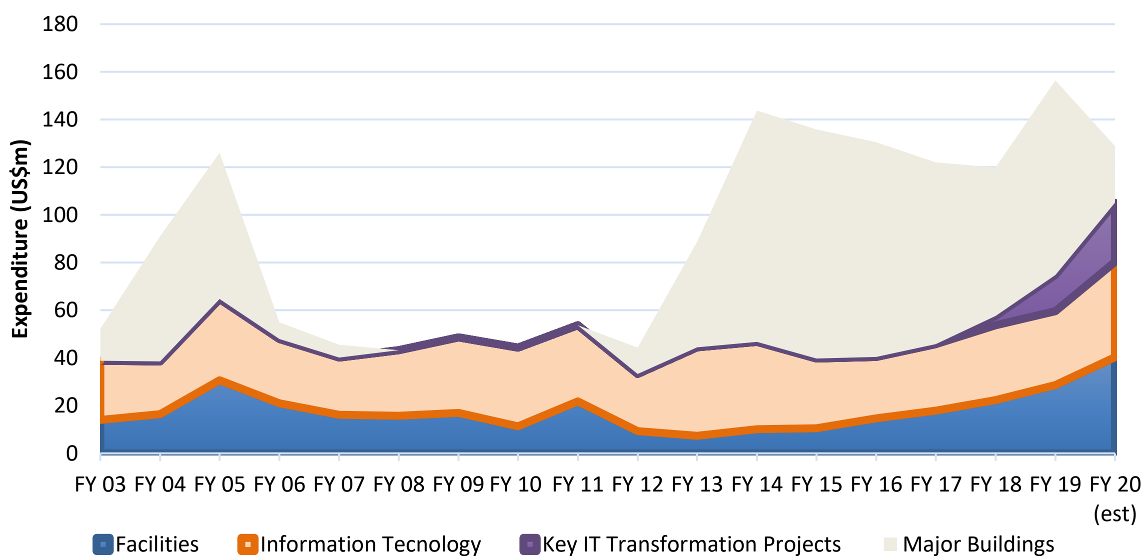
- Approved funding will continue to remain available for use over a 3-year period, with information to be provided in the budget and outturn reporting on the scale of available resources that have been used/remain available.

2. This proposed CIF also clarifies roles and responsibilities, refines capital project taxonomy, strengthens the investment decision-making process, integrates risk and change management into the project governance structure, and identifies areas for further process improvement. OBP, ITD and CSF will collaborate on staff-level guidelines to support the updated Framework.

Background

3. **The capital investment landscape has changed considerably over the last decade, and the pace of change is accelerating**. Key drivers of change have included: (i) the scale of capital investment required to renovate HQ1; (ii) large-scale, interdependent investments required to modernize key business processes and information systems to transform the way we work; and (iii) the migration from software that is purchased or custom-built and maintained on-premise, to platforms hosted in the cloud with recurring subscription costs. These changes in the investment landscape have prompted the development of a strengthened CIF, which draws together strategy, governance, budgeting, and operational practices, incorporating a needed focus on risk and change management.

Figure 1. Capital Spending— FY 03-20
(USD million)



Source: Corporate Services and Facilities Department, Information Technology Department, and Office of Budget and Planning,

4. **A separate budget for capital investments was established in 1986.**[1] A separate multi-year framework was presented, framed in terms of projects rather than by type of expense. This framework distinguished between the continuing cost of projects approved in prior years and new projects. Investments were approved under a separate capital investment decision, and once approved, a project was not subject to further board decisions unless there were major variations in substance or expense.

5. **In 2002, the Fund began presenting the full costs of projects for approval up front.**[2] Under new procedures instituted that year, the Board approved "the total expected cost of a capital

[1] "Budgeting for Capital Assets," EBAP/86/84, April 9, 1986 and "Accounting for Capital Assets." SM/85/246, August 27, 1985.

[2] "Proposed Changes to Capital Budgeting Procedures" EBAP/02/42, April 1, 2002.

project when appropriation is first sought." This shift sought to reinforce a rigorous approach to project costing and help prevent the escalation of cost over the construction or acquisition period. The revised procedures also stated that "all funds for an individual project not spent within three years will lapse." This methodology could exacerbate lumpiness in the scale of annual capital requests, and over the following years, various metrics were used to benchmark or limit the overall capital budget. After 2007, the Board was asked to approve annual capital cost appropriations which continued to be available for use over a three-year period, helping to stabilize the annual capital budget envelope.

Objectives of the Updated Capital Investment Framework

6. **This review presents an opportunity to update the capital management model**. The proposal set out here takes stock of practices and experience (including lessons from the recently concluded HQ1 renewal), formalizes recent improvements in capital investment decision-making and project management, and identifies areas for further strengthening.[3]

7. **The main objective of the CIF is to provide a framework, calibrated based on project size and complexity, to ensure that**:

- ***Capital investments are aligned with strategic priorities.*** Capital investments provide critical infrastructure updates and improvements and new capabilities. All types of investments should yield benefits, including maintaining the condition and value of Fund assets, risk mitigation, cost reduction or avoidance, productivity gains, and adding strategic value. New capabilities should result in the ability to more effectively meet emerging business needs and priorities, with associated productivity gains and/or cost savings.

- ***Roles and responsibilities are clear*** *(Box 1)*. Roles and responsibilities are clearly defined for each step of the investment lifecycle, namely for identification, evaluation (including robust cost-benefit analysis), review, approval, execution and monitoring of investments.

- ***Investment project costs and benefits are well understood and budgeted***. The total cost of an investment project includes both the upfront capital and administrative costs and the ongoing running costs that need to be supported within the administrative budget constraints. Costs and benefits (financial and non-financial) need to be well-estimated before a decision is made to proceed with the project implementation.[4] Administrative budget impacts (both costs and savings) should be planned and agreed with affected departments before projects are approved.

- ***Procedures for the evaluation and review of new investments are clear***. Projects must submit business cases, including identification of project costs and benefits, to be

[3] EBAP/19/110—HQ1 Renewal Project—Q2 FY 2020 Quarterly Progress Report.

[4] For larger, more complex projects up-front scoping work includes development of a "To Be" framework and market analysis.

considered for investment. Investment projects are evaluated based on four explicit criteria: (i) strategic profile (fit with the strategy of the Fund and non-financial benefits), (ii) financial costs and benefits (iii) risk mitigation profile, and (iv) capacity to deliver. Work is ongoing to reinforce the existing guidelines and templates for these submissions to ensure robust and consistent information for decision-makers is provided in an effective format. The relative weight given to each criterion could differ based on project type e.g., a project to reduce IT security risks or maintain critical building infrastructure versus a project to enhance productivity.

Box 1. Roles and Responsibilities

Executive Board	The Board approves capital investment decisions as part of the annual budget process. For Large Transformational Projects, the Board reviews the business case and CBA before implementation costs are incurred following an initial scoping phase. They also receive periodic updates on transformational project progress.
Management	Management is responsible for reviewing and approving the portfolio of projects recommended by the investment governance committees (see below), with a focus on strategic alignment, overall cost and risk acceptance, and the number, size, timing and sequencing of projects. Management is also responsible for the final decision on how a project should be classified (see paragraph 9).
Project Sponsors	For facilities related projects, CSF is generally the sponsor. For IT related projects, the department proposing the project oversees the project through a named project sponsor, generally at the Director level for transformational projects and at the B-level in all cases. Project sponsors, (working closely with ITD for IT projects), are accountable for the overall performance of the project, including accurate scoping and costing, effective implementation, achieving the intended benefits and realizing savings. Project sponsors for large transformational IT or major facilities programs are assisted by dedicated project managers and senior Program Steering Committees.
Committees	**Committee on Business and Technology (CBIT)**. The CBIT is an interdepartmental committee, currently chaired by the Chief Information Officer (CIO), responsible for reviewing and recommending IT-related business projects, based on proposals presented by the CIO, for approval by management and ultimately the Board.
	Facilities Strategic Advisory Committee (FSAC). The FSAC is an inter-departmental group chaired by the Director of CSF, responsible for advising on and recommending new investments in facilities, based on a portfolio of projects recommended by the Director of CSF, for approval by management and ultimately the Board.
	Program Steering Committees. Large transformational IT or major facilities programs are governed by a Steering Committee, chaired by the Project Sponsor and consisting of Directors from relevant departments and OBP Steering Committees review and clear major project milestones for submission to the CBIT (IT) or FSAC (facilities).

Box 1. Roles and Responsibilities (concluded)

Project Management	**IT Program Management Office (PMO)**. The PMO, reporting to the CIO, provides oversight of the IT capital portfolio, including the key modernization projects, with focus on risk and budget management, scope and change control, and identification and management of project interdependencies. This office coordinates the annual capital project proposal process, ongoing project monitoring, and other CBIT activities. **CSF Program Management Unit (PMU)**. The PMU, which is part of the Facilities division of CSF, manages the portfolio of projects specific to building assets, projects addressing audio visual and digital asset management needs are managed by the Creative Solutions division. CSF's Resource Management Team is responsible for ensuring efficient management of the entire Facilities capital portfolio, from budget formulation through execution, monitoring, control, and reporting. In the case of major buildings investments, recent experience of HQ1 Renewal established a dedicated temporary unit to serve in a project management function.
Office of Budget and Planning (OBP)	**OBP** prepares the annual medium-term budget paper, consolidating capital budget submissions from ITD and CSF, and advises management on the overall portfolio. OBP ensures the net administrative budget impacts of overall proposed capital investments (based on project specific and overall costs and savings) are vetted and included in the administrative budget proposal. OBP performs an independent review of CBAs for new transformational capital investment proposals prior to their presentation to the respective Committees. At the same time, OBP provides input on overall calculation of net administrative savings and procedures for CBAs. In consultation with CSF and ITD, maintains the CIF guidance and process documentation.
Office of Risk Management (ORM)	The Office of Risk Management (ORM) is involved in the ex-ante enterprise risk assessment of the relevant significant initiatives. ORM may participate as an observer on significant initiatives steering committees by providing relevant risk-based analysis to the committee members and affected departments.
Office of Internal Audit (OIA)	The Office of Internal Audit (OIA) provides periodic assurance on the capital investment framework, the associated governance mechanisms, and internal control processes, based on their risk-based work program. At the request of management or departments, OIA also performs advisory reviews on specific aspects of the framework. They also participate as observers on transformational project steering committees.
Change Management Unit (CMU)	The recently established CMU works closely with project teams to communicate change impacts and help staff prepare for them. Projects of a transformative nature include change management activities and resource needs in their project plans and cost estimates to reduce the risk that the project may not deliver on the objectives because of change resistance or lack of clear and consistent communications.

- ***Operations are agile, efficient and closely monitored***. Investment projects should be planned and sequenced properly and implemented in an efficient manner. The project management (PM) functions provide oversight and work closely with project teams. Their activities include: providing best practice guidance in the areas of risk and budget management, scope and change control, schedule tracking, dependency management and governance, monthly progress reporting and maintenance of a risk register (which is designed to ensure that budget, schedule and scope risks are identified early and that mitigation measures are executed in a timely manner). At the same time, the PM functions help to ensure project and portfolio interdependencies are well understood and addressed.

- ***Risks are managed throughout the process.*** The CIF should ensure not only that investment projects are an effective component of agreed risk mitigation roadmaps for the Fund, but also that project related risks themselves are evaluated, mitigated and monitored.

- ***Change impact is addressed.*** While transformative projects are expected to have the largest change impact, projects in all categories could entail changes in the way staff work. Investment decisions should consider the number of projects involving change and the capacity of staff to absorb change when setting the portfolio. Engagement with the Change Management Unit is a standard part of transformational projects and project budgets should include adequate resources for change management activities.

8. **The CIF should continue to evolve**. Capital developments and industry trends should also be assessed regularly so the CIF can be kept current. Recent developments in IT, such as the shift to cloud platforms, have resulted in significant increases in annual subscription fees, with offsetting savings from lower systems costs, including direct maintenance. The digitization of building systems and the Internet of Things (IoT) are other trends likely to impact capital investment needs and ongoing support. These and other relevant emerging changes need to be strategically assessed in light of the Fund's evolving priorities, risk profile and appetite, and total cost of ownership.

Refining Project Classification

9. **An important component of the updated CIF has been to refine the classification of investment projects** to ensure that governance, procedures and reporting are calibrated based on type and size of projects. The following taxonomy is proposed for capital investments:

- ***Transformational IT projects and major building investments.*** These projects require the highest levels of governance, oversight and risk management. Management is responsible for classification of projects into this category and will consider criteria, such as the scale of resources required (typically more than $15 million), complexity and the transformational aspects, e.g., level of changes to business practices, and staff impact. The business case and CBAs for these projects are reviewed individually by the Board prior to implementation, with periodic updates on project status.

- ***New investments in either IT or facilities.*** The key driver for this type of project is a need to modernize, innovate, reduce risk, or add value (e.g., developing a new capability). These project proposals, initiated by the business sponsor, would be considered for prioritization by the CBIT or FSAC based on the standardized criteria noted above. If agreed, they would be included as part of the portfolio of projects proposed in the budget process to the Board.

- ***Maintenance, compliance, and life-cycle replacements.*** The key driver for this type of project is compliance with relevant rules/standards, audit recommendations and end-of-life or routine maintenance spending (e.g., furniture or PCs that reach the end of their useful life). Capital spending in this category is more predictable (aligned with long-term planning) and typically non-discretionary. The projects in this category are considered separately from those in the second group and the business case or justification will rely on a technical assessment of need (e.g., the Facilities Conditions Assessment, engineering studies or independent expert input). They would be approved as part of the portfolio of projects proposed in the budget process to the Board.

10. **Project classification is decided by Management.** The distinction between transformational, new investment, and replacement is recommended by the sponsor, cleared by the CIO/Director of CSF, and, for transformational projects, approved by management. Most replacement projects will bring new capabilities as technologies evolve. As such, some discretion will be required in application of the framework. Relevant governance committees will be informed of the basis for categorization as a regular part of the approval process.

Capital Budget Presentation to the Board

11. **Under the proposed framework, the Board will be presented with information on total estimated project costs and budget approval will be requested for the next year's spending needs.** The distinction between total estimated capital costs and annual capital spending needs will be most pronounced for large, complex, multi-year projects. Budget documentation would show total estimated costs (where available), amounts previously approved, spending to date, and any remaining spending needs requiring approval.[5] Large, transformational projects may include estimated needs for the following year in the budget request, depending on their status and contingent on the Board endorsement of the project justification (business case and cost benefit

[5] Total estimated capital cost may not be meaningful for maintenance, compliance and certain life-cycle replacement projects as these tend to be continuous in nature (e.g., rolling replacement of PCs and AV equipment) and will therefore not be shown. The presentation will indicate the nature of projects for which the total costs presentation is not relevant.

analysis). Project teams would continue to have three years to execute capital spending approved in the budget.

12. **Total estimated capital costs are determined via a bottom-up approach each year with a top-down check on the overall portfolio size and the institutional capacity to deliver.**

- **The bottoms up estimates are based on the capital needs proposed through the CBIT and FSAC.** As part of the budget proposal each year, the estimates of total project cost will be presented for each portfolio category in aggregate and for the large transformational projects individually, with descriptive information about the number and types of projects being proposed. The annual budget outturn reporting will provide information on execution**.**

- **The budget will show separately the estimated costs of new large transformational projects and updates to existing project cost estimates**. Estimating the total cost of large transformation projects is complex and often involves some up-front spending to refine the scope of the project and likely costs. These initial costs can be funded through use of planning reserves or by segregating scoping and design work as the first phase of a project. Even so, it is often difficult to establish cost estimates without the results of competitive bidding.

- **While the total capital costs are estimated and disclosed in the budget paper, capital budget appropriations will be proposed for Board approval based on the expected annual spending profile**. The envelope size and amounts are determined by management, in close coordination with OBP, CSF and ITD and take into account:

    - Sustainability, both in terms of the expected capital spend and the estimate ongoing impact on the administrative budget;

    - The decisions of the CBIT and FSAC, including their suggested ranking/sequencing for projects that are classified as new investments;

    - ITD, CSF and sponsoring departments' capacity to deliver, historical execution trends, volume and timing of projects and human resources (i.e. project managers).

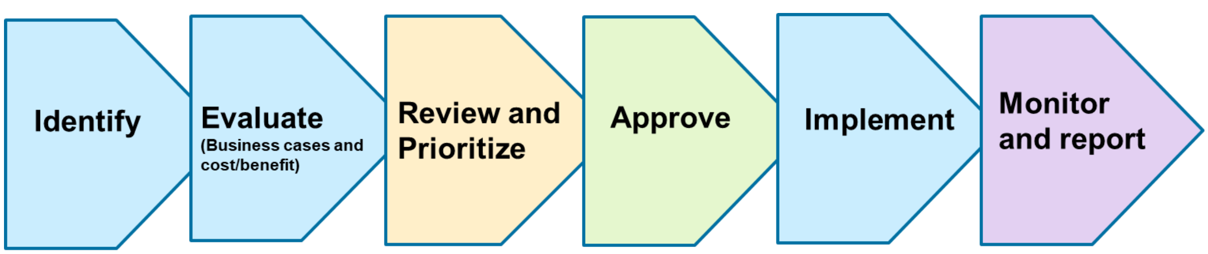
13. **The proposed capital budget appropriation covers the upcoming year and includes projections for the outer years**. For large transformation projects, total costs may be difficult to estimate with accuracy and may also lead to significant volatility if fully appropriated up-front. As noted, the budget will provide a transparent estimate *of the total project cost* as soon as a strong estimate is available and no later than the onset of implementation stage (following initial scoping) and seek *budget appropriation for the project segment* falling in the next budget year. The appropriation of annual resource needs would also be used for new investments in IT and facilities, as well as for lifecycle replacements that follow an asset life-cycle replacement schedule.

14. **The administrative budget impacts of capital investments need to be well documented and play a key role in project approval**. Capital investments require full review of the sustainability of the overall budgetary impact over time. The portfolio of projects should be assessed for its impact on the administrative budget—including the near-term pressure that implementation will put on staff who are involved as subject matter experts or project leads, the running costs (e.g., subscriptions) to support the new investment, and the capturable savings (including from more efficient IT and business processes), as well as other benefits.

15. **Work is continuing to ensure robust review of the impact of capital decisions on the administrative budget, primarily on the IT side**. In this context, several measures will be undertaken, including: (i) reviews of existing administrative budgets dedicated to supporting IT systems; (ii) assessing and adjusting service levels and standards as part of vendor sourcing; (iii) a comprehensive roadmap to rationalize the number of IT applications being supported to allow for decommissioning of old or underutilized systems; (iv) improved costing methods for new capital investments and their administrative impacts, including use of 3rd party validation checks and (v) analysis of enterprise licensing costs for Fundwide software licenses (e.g., Microsoft and ServiceNow). This will help provide budget space to accommodate the impact of new investments. On the IT side, the move towards a new service delivery model provides a good opportunity to advance these approaches. Separately, a plan to account appropriately for the increased administrative costs associated with cloud investments ("lease" versus "buy") will also be needed.

Project Governance

16. **For both facilities and IT investments, the governance process is calibrated based on the project classification.** At the project level, the Facilities and IT Capital Governance are described using the following 6-step process (Box 2 includes additional governance that is present for large transformational IT programs):



Source: Office of Budget and Planning

Identify

Lifecycle replacement projects are identified through regular, independent reviews of building conditions and IT system replacement roadmaps informed by leading practices. Demand for new capabilities or improvements arise as part of regular conduct of operations or from business sponsors identifying new needs or degrading performance of existing systems.

Evaluate

Project teams prepare business cases and evaluate projects using the following criteria:

- Business need and alignment with strategic guiding principles, including an *ex ante* assessment of the impact on the Fund's Risk Profile;
- Financials: CBA, return on investment, if applicable, and consideration of ongoing maintenance costs;
- Risk assessment: (i) business continuity risk, (ii) obsolescence, (iii) staff impact or inconvenience, (iv) reputational risk;
- Resources: adequacy of resources, project dependencies, and capacity to deliver.

Review and Prioritize

Project and resource management teams and, for IT, the Strategy and Architecture Review Board (SARB) review business cases for quality, completeness, and alignment with strategic principles.[6] Projects are selected and prioritized based on the evaluation criteria and added to the capital portfolio. The portfolio construction process will consider the technical studies and independent expert advice on maintenance, compliance, and life-cycle replacements projects.

As part of the annual budget process, the Directors of CSF and ITD will propose the projects that make up the budget request for the following year. The envelope size and amounts are determined by management, in close coordination with OBP, CSF and ITD.

Approve

FSAC and CBIT review and recommend a portfolio, with information on total project cost and the amount requested for the following year. The committees consider the merits of the individual projects, prioritizing maintenance, compliance, and life-cycle replacements projects to ensure these are not crowded out by new investments thus generating risk to the Fund. In addition, the committees consider capacity to deliver and administrative budget impacts in their decision. The outcome of the committee decisions is presented to Management for review and approval before being presented to the Board.

[6] The SARB reviews digital capabilities roadmaps and prioritizes business cases based on capacity to ensure alignment with the Fund's strategic priorities.

Implement

All approved projects are implemented following industry Project Management Life Cycle (PMLC) methodology. The PMLC prescribes monitoring and control processes such as managing risks and issues, managing change, managing schedule, budget and scope and reporting project status report.

Monitor and Report

Projects are monitored on an ongoing basis for progress against milestones, dependencies, unforeseen conditions, scope adjustments, stakeholder engagement and evolving risks.

The relevant committees (FSAC, CBIT) receive periodic reporting and are engaged as needed if there are any significant scope and/or budget changes, to discuss projects with a significant impact on staff, and to address any unplanned projects, which will follow the evaluation and prioritization processes described above for inclusion in the portfolio.

OBP reports on the capital budget outturn (spending). For large transformational projects, Management and the Board receive periodic reports from the relevant Project Sponsor and the PMO.

Box 2. Governance of Transformational IT projects

For Transformational IT investments, additional governance procedures were established. This process—designed to ensure accountability, adherence to budget and schedule, and risk management—was set out in the FY 20-22 MTB Budget paper[7]and includes the following features:

- Each program has a Department Director as **Program Sponsor** who is accountable to the COA/DMD for program execution, and a dedicated project team led by an experienced senior staff member. Program Sponsors present the CBA and finalized business case for Steering Committee (SC) approval, before requesting CBIT approval for implementation funding.
- Each program has a **SC**, composed of the Directors of those departments most impacted, the Chief Information Officer, and the Director of the Office of Budget and Planning. Steering Committees are responsible for major decisions related to the programs.
- Support of a **corporate PMO** providing oversight and support to program managers. The PMO is responsible for project execution, reporting, facilitating governance, and managing risks and interdependencies and overlaps across the various initiatives. The PMO's participation includes operational level meetings and SC activities.
- Change management support provided by a dedicated **Change Management Unit**.
- **Separate engagement** by staff with the Board on project justification (including business case and cost benefit analysis) **and periodic updates** for the Board, either through informal briefings or a periodic progress report from the PMO.

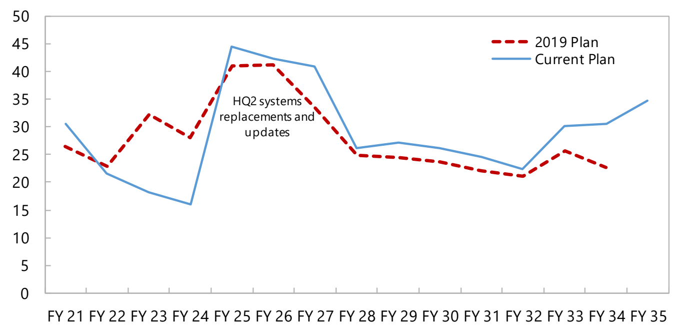
[7] "FY 2020–FY 2022 Medium-Term Budget" EBAP/19/23, April 2, 2019

Appendix XI. Long-term Capital Plans

The components of the capital budget that are related to life-cycle replacements are subject to long-term planning. These plans are reviewed and revised regularly based on new assessments, information and updated strategy.

1. **The long-term facilities capital plan (LTP) covers the portion of the budget that relates to the replacement of equipment, critical building systems and renovations for HQ1, HQ2 and Concordia.** These projects are a subset of the overall facilities capital budget which also includes facilities improvement projects that are planned within a shorter timeframe. The LTP is informed by third-party Facilities Condition Assessments (FCA) conducted every three to five years. FCAs consider the age of the assets and best practice assumptions on the useful life to establish broad parameters for replacement costs. As end-of-life milestones are reached, engineering and other feasibility studies are performed to confirm the actual condition and need to replace the asset. The requested appropriation for a given year is based on the actual needs which may reflect an acceleration or delay compared to the assumptions in the LTP.

Facilities Capital Plan, FY 21-35 1/
(Millions of U.S. dollars)



Source: Corporate Services and Facilities Department.
1/ Includes life-cycle replacements and major renovations.

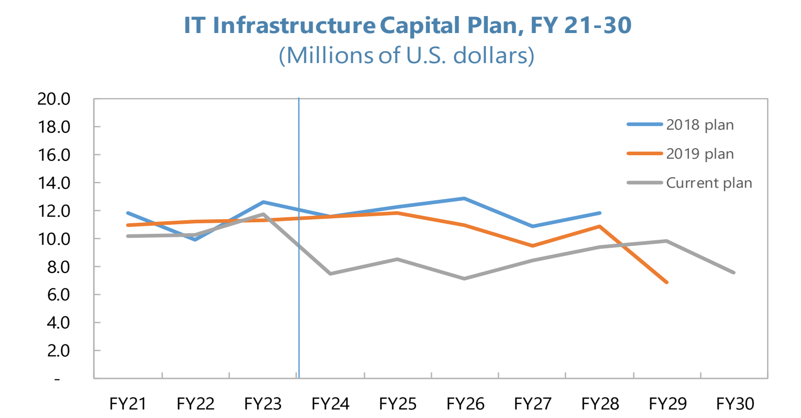
2. **The updated projections for lifecycle replacements show a decline in the near-term followed by a spike in FY 25 in anticipation of HQ2 end of life replacements and updates.** The reduction in the near term compared to last year's projections is related to lower cost estimates for HQ1 building systems (mainly cooling and electrical)[1], reclassification of a non-critical project to the improvements category (which is not subject to long-term planning), and spreading of windows replacement work over a longer period. In FY 25 HQ2 will be 20 years old, when updates to the building systems and finishes, which will have reached the standard life expectancy, will begin. Higher occupancy during the HQ1 renewal has also impacted the condition of systems and furnishings.

3. **The IT infrastructure long term plan covers network equipment, servers, storage, and end-user devices.** The updated LTP indicates an overall reduction after the medium-term, mainly

[1] The original plan for HQ1 Renewal did not provide for replacement or renovation of these assets because they were not reaching end-of-life until after the project was planned to be completed.

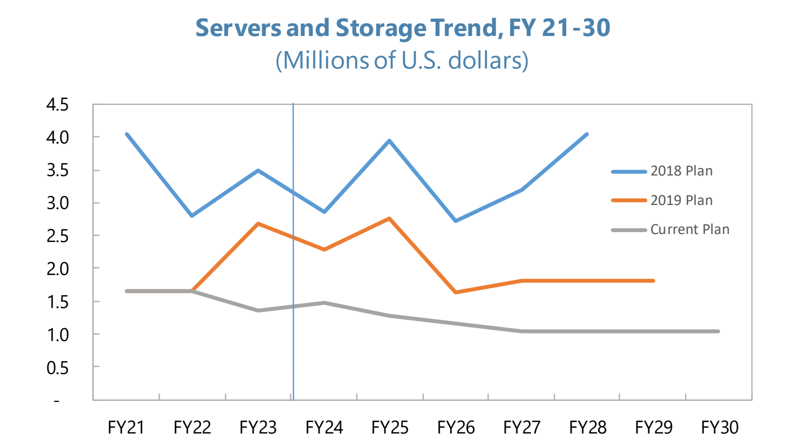
resulting from migrations to cloud platforms. This trend is somewhat offset by higher costs for technologies that provide network security services.

- The FY 21-23 MTB includes both a refresh of the remote office infrastructure and a personal computer (PC) refresh. After FY 23, the plan reflects a rolling 5-year lifecycle replacement schedule for PCs and a reduction in remote office infrastructure related to cloud initiatives. Both have the effect of leveling capital expenditures in the outer years.



Source: Information Technology Department.

- Migration of applications and the business continuity center to the cloud have also reduced server and storage expenditures. While this reduces the capital spend, higher costs could materialize in the administrative budget in the form of higher annual licensing and subscription fees. These impacts are quantified in the context of the cost-benefit analyses of relevant capital projects.



Source: Information Technology Department.

Table 1. Administrative Budget, FY 12-20

(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Personnel	820	799	835	802	861	829	896	862	907	896	934	922	969	962	1,009	995	1,025	1,035
Travel	112	105	125	119	123	117	128	112	130	120	123	115	126	121	135	126	134	108
Buildings and other expenditures	181	178	181	180	190	203	193	204	200	199	205	218	209	226	215	224	224	240
Contingency 1/	11	0	18	0	12	0	7	0	10	0	11	0	11	0	12	0	15	0
Total Gross Expenditures	**1,123**	**1,082**	**1,159**	**1,102**	**1,186**	**1,149**	**1,224**	**1,177**	**1,247**	**1,215**	**1,273**	**1,255**	**1,315**	**1,309**	**1,371**	**1,346**	**1,397**	**1,383**
Less: Receipts	138	135	161	154	179	160	197	167	196	176	200	189	211	211	236	214	239	225
Total Net Expenditures	**985**	**947**	**997**	**948**	**1,007**	**988**	**1,027**	**1,010**	**1,052**	**1,038**	**1,072**	**1,066**	**1,104**	**1,099**	**1,135**	**1,131**	**1,158**	**1,158**
Memorandum item:																		
Carry Forward	*34*		*41*		*42*		*42*		*42*		*43*		*44*		*46*		*47*	

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding. Includes donor financing.
1/ Represents the contingencies for staff, OED and IEO.

Table 2. Gross Administrative Expenditures: Personnel, FY 12-20[1/ 2/]

(Millions of U.S. dollars, unless otherwise noted)

Expenditure category	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 Proj.
Personnel expenses	799	802	829	862	896	922	962	995	1,035
Salaries	471	488	513	534	552	569	603	619	646
Staff, OED, and IEO	370	378	394	410	427	444	465	484	504
Other personnel	101	110	119	124	125	126	138	135	142
Other personnel expenditures	325	310	312	323	339	348	354	371	383
Retirement benefits 3/ 4/	159	143	136	142	155	157	162	168	174
Health benefits	38	39	41	44	44	45	44	47	49
Tax allowances	35	32	36	35	38	39	39	41	42
Home leave	25	26	26	28	28	29	29	31	34
Children's education allowances	21	22	24	26	27	28	29	32	33
Overseas allowances	22	22	21	19	19	19	20	21	21
Training and study allowances	9	10	10	10	10	10	11	11	12
Spouse and child allowances	7	7	7	7	7	7	7	7	7
Other benefits 5/	10	11	11	12	11	14	13	13	11
Other misc. personnel expenditures 6/	4	4	4	5	5	5	5	5	6
Memorandum items:									
Total gross expenditures	1,082	1,102	1,149	1,177	1,215	1,255	1,309	1,364	1,383
Personnel expenses (percent of total)	74	73	72	73	74	74	73	73	75
Salaries (share of total personnel expenses)	59	61	62	62	62	62	63	62	62
Other personnel expenditures (share of pers. exp.)	41	39	38	38	38	38	37	38	38
Total personnel expenses (in FY 20 dollars)	938	941	958	976	991	997	1,010	1,022	1,035
Salaries	552	572	593	604	610	616	633	636	646
Other personnel and other misc. personnel expenditures	386	369	365	371	380	382	377	387	389

Source: Office of Budget and Planning.

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

1/ Reflects current expense categories in the chart of accounts, adjusted retrospectively as appropriate.

2/ Includes donor financing.

3/ Includes the Staff Retirement Plan (SRP), 401K retirement accounts, and Retired Staff Benefits Investment Account (RSBIA).

4/ FY 09-13 and FY 16-17 reflect additional contributions to the RSBIA.

5/ Includes spouse point and emergency travel, life insurance benefits, settlement allowances, and SBF separation incentives.

6/ Includes ICD participants' allowances, and social and welfare expenses.

Table 3. Gross Administrative Expenditures: Travel, FY 12-20
(Millions of U.S. dollars)

	FY 12		FY 13 1/		FY 14		FY 15		FY 16 1/		FY 17		FY 18		FY 19 1/		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Expenditures	**112**	**105**	**125**	**119**	**123**	**117**	**128**	**112**	**130**	**120**	**123**	**115**	**126**	**121**	**135**	**126**	**134**	**108**
Business travel	87	82	98	95	94	91	100	87	104	92	98	88	99	92	111	99	107	85
Transportation	87	48	98	54	94	52	100	48	104	50	98	49	99	52	111	56	107	59
Per diem	…	34	…	41	…	39	…	39	…	42	…	39	…	40	…	43	…	26
Seminars & other	14	11	16	13	18	14	17	15	15	17	14	15	15	18	14	18	16	13
Other travel	11	11	11	11	11	12	11	10	12	11	12	11	12	11	10	10	10	10

Source: Office of Budget and Planning.

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

1/ Includes travel to the Annual Meetings in Tokyo ($6 million in FY 13), Lima ($5 million in FY 16), Bali ($6 million in FY 19).

Table 4. Gross Administrative Expenditures: Buildings and Other Expenditures, FY 12-20
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Buildings and other expenses	**181**	**178**	**181**	**180**	**190**	**203**	**193**	**204**	**200**	**199**	**205**	**218**	**209**	**226**	**215**	**224**	**224**	**240**
Building occupancy	57	56	58	57	58	62	60	61	59	60	59	65	63	68	67	69	70	71
Information technology	43	46	47	47	54	59	57	60	60	59	61	65	65	69	69	66	72	71
Subscriptions and printing	17	17	19	18	20	19	20	20	20	20	19	21	21	22	20	21	14	21
Communications	10	9	10	9	8	9	7	9	7	8	7	8	8	8	8	8	8	8
Supplies and equipment	8	9	7	8	9	8	6	7	8	6	6	6	4	7	4	6	4	5
Miscellaneous 1/	46	41	41	41	42	46	42	47	46	46	52	53	50	52	46	55	57	62

Source: Office of Budget and Planning.

1/ Mainly for contractual services, for example, translation and interpretation services, external audit, as well as other consulting services on business practices and processes.

Table 5. Receipts, FY 12-20
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Receipts	**138**	**135**	**161**	**154**	**179**	**160**	**197**	**167**	**196**	**176**	**200**	**189**	**211**	**211**	**236**	**214**	**239**	**225**
Externally-financed	107	100	127	118	138	124	154	131	157	142	160	153	172	174	196	178	200	191
General receipts 1/	32	36	34	36	41	36	43	37	39	34	40	35	39	37	40	36	39	34

Source: Office of Budget and Planning.

1/ Includes Trust Fund Management Fees.

Table 6. Net Administrative Expenditures by department/office, FY 12-20[1/]

(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20
	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/
Area	**279**	**270**	**286**	**276**	**292**	**289**	**297**	**293**	**300**	**294**	**291**	**281**	**295**	**292**	**302**	**300**	**312**
African	81	77	82	81	82	82	85	85	86	84	83	79	85	86	89	89	93
Asia and Pacific	40	38	41	37	41	41	42	41	43	43	42	41	43	43	44	44	46
European	67	65	73	71	74	73	74	71	73	70	69	65	69	66	69	68	71
Middle East and Central Asia	47	47	47	45	51	51	51	51	52	51	51	50	51	51	52	52	53
Western Hemisphere	45	44	43	42	45	42	45	45	46	46	45	45	46	46	47	47	49
Functional non-CD	**132**	**127**	**132**	**127**	**141**	**137**	**146**	**143**	**151**	**149**	**157**	**155**	**163**	**161**	**167**	**165**	**169**
Communications	28	26	28	27	34	34	36	36	36	36	37	36	37	37	38	36	39
Finance	30	28	30	29	31	30	32	31	33	33	35	33	36	34	36	35	37
Research	30	29	29	29	30	30	32	31	34	33	34	34	36	35	35	35	36
Strategy, Policy and Review	45	43	44	42	46	44	46	45	48	48	52	52	54	54	58	59	58
Functional CD	**213**	**204**	**212**	**206**	**218**	**211**	**224**	**216**	**225**	**222**	**240**	**235**	**246**	**245**	**260**	**256**	**265**
Fiscal Affairs	50	49	51	50	53	53	54	53	55	53	59	57	61	61	62	62	63
Institute for Capacity Development 3/	27	26	29	28	29	27	31	28	31	31	33	33	34	34	34	34	35
Legal	22	20	22	21	23	24	23	23	24	24	25	25	27	26	28	28	30
Monetary and Capital Markets	73	73	73	72	75	71	77	75	77	76	83	81	84	83	86	85	87
Statistics	38	36	37	35	37	37	38	38	39	38	40	39	41	40	49	46	50
Support/offices	**253**	**244**	**254**	**244**	**269**	**264**	**277**	**267**	**284**	**276**	**294**	**291**	**311**	**305**	**310**	**300**	**315**
Technology and General Services	175	171	175	171	188	186	191	186	83	83	...	...	...	...			
Corporate Services and Facilities	...	...	...	...	...	...	...	...	53	53	91	91	95	95	100	99	102
Information Technology	...	...	...	...	...	...	...	...	49	47	102	102	106	106	107	104	108
Human Resources	28	28	29	27	30	30	32	32	33	32	35	35	36	35	38	38	40
Risk Management	0	0	0	0	0	0	2	1	2	2	2	2	3	2	3	3	3
Secretary's	16	14	17	15	18	17	19	18	21	20	22	22	23	23	23	21	24
Office of Budget and Planning	6	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Office of Internal Audit and Inspection	5	4	5	5	5	4	4	4	4	4	5	5	5	5	5	5	5
Office of the Managing Director	10	10	9	9	10	9	10	9	10	10	10	10	10	10	11	11	11
Other small offices 4/	13	13	14	12	14	13	16	13	26	22	22	19	27	23	17	15	17
Total departments/offices	**877**	**845**	**883**	**853**	**921**	**901**	**943**	**920**	**962**	**941**	**982**	**962**	**1,015**	**1,003**	**1,039**	**1,022**	**1,060**
Others	**83**	**66**	**87**	**68**	**87**	**69**	**87**	**69**	**90**	**72**	**90**	**73**	**93**	**73**	**97**	**75**	**97**
Independent Evaluation Office	6	6	6	5	6	6	6	6	6	6	6	6	7	6	7	6	7
Office of Executive Directors	78	60	81	63	80	63	81	63	84	66	84	67	87	67	91	69	90
Central accounts 5/	58	37	68	28	41	18	38	21	42	26	44	35	40	28	44	37	46
Total	**1,019**	**947**	**1,038**	**948**	**1,049**	**988**	**1,068**	**1010**	**1,094**	**1,038**	**1,116**	**1,070**	**1,148**	**1,104**	**1,181**	**1,134**	**1,205**
of which: Carry forward	*34*		*41*		*42*		*42*		*42*		*43*		*44*		*46*		*47*

Source: Office of Budget and Planning.

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

1/ Working budget. Excludes external financing. Data as of October 31, 2019.

2/ Represents total available resources, i.e., approved budget plus carry forward from previous year.

3/ IMF Institute and Office of Technical Assistance Management were merged in FY 13 to become the Institute for Capacity Development.

4/ Includes training institutes overseas, Administrative Tribunal Office, Secretarial Support, Office for Asia and the Pacific, Office in Europe, the Ombudsman, the Mediator, Ethics, Economic Data Team, Investment, HQ1 Task Force, Knowledge Management, Innovation Lab, and the Independent Investigator.

5/ Includes contingencies and resources in centrally administered accounts, e.g., for the resident representative program, HR-related programs, standard cost adjustments.

Table 7. FTE Utilization by Department/Office, FY 12-20[1/]

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 Approved Budget
Area	**767**	**772**	**794**	**809**	**798**	**785**	**788**	**799**	**789**
African	209	213	212	219	215	210	221	226	226
Asia and Pacific	109	102	112	113	112	114	114	114	114
European	187	203	206	205	200	188	186	189	180
Middle Eastern and Central Asia	132	128	136	136	137	137	134	137	136
Western Hemisphere	129	126	127	136	134	135	133	133	133
Functional non-CD	**454**	**456**	**464**	**476**	**488**	**507**	**505**	**511**	**502**
Communications	83	85	85	91	91	95	91	87	92
Finance	114	115	118	121	125	126	128	129	130
Strategy, Policy, and Review	163	160	164	164	171	176	174	183	170
Research	94	96	97	99	102	110	112	112	110
Functional CD	**607**	**617**	**632**	**653**	**664**	**693**	**707**	**710**	**728**
Fiscal Affairs	129	133	137	136	136	150	161	160	162
Institute for Capacity Development 2/	82	96	98	108	115	122	123	124	124
Office of Technical Assistance Management 2/	14	…	…	…	…	…	…	…	…
Legal	59	64	68	69	70	73	77	80	84
Monetary and Capital Markets	196	197	196	204	208	219	220	221	222
Statistics	127	128	134	136	135	129	127	126	137
Support/others	**494**	**508**	**514**	**513**	**542**	**553**	**563**	**565**	**585**
Technology and General Services	295	303	297	293	148	…	…	…	…
Corporate Services and Facilities	…	…	…	…	87	160	159	160	163
Information Technology	…	…	…	…	64	148	153	145	153
Human Resources	72	74	78	79	87	90	88	96	91
Office of Budget and Planning	16	17	17	17	18	16	16	17	16
Office of Internal Audit	14	15	15	14	11	11	12	13	16
Office of Risk Management	…	…	…	3	7	7	8	9	10
Secretary's	46	49	53	55	59	57	59	59	68
Office of the Managing Director	23	22	22	21	23	26	25	25	25
Other small offices 3/	28	28	31	31	37	39	43	40	43
Central allocation 4/	22	16	15	16	16	12	11	17	21
Total departments/offices	**2,344**	**2,368**	**2,419**	**2,466**	**2,508**	**2,549**	**2,574**	**2,603**	**2,624**
Others	**250**	**256**	**260**	**260**	**258**	**264**	**262**	**263**	**253**
Independent Evaluation Office	13	13	15	15	14	14	15	15	15
Office of Executive Directors	237	243	245	246	244	250	247	247	238
Grand total	**2,594**	**2,624**	**2,680**	**2,727**	**2,767**	**2,813**	**2,836**	**2,866**	**2,878**

Source: Office of Budget and Planning.
Note: Numbers may not add to totals due to rounding.
1/ Excludes external financing.
2/ IMF Institute and Office of Technical Assistance Management were merged in FY2013 to become the Institute for Capacity Development.
3/ Includes training institutes overseas, Administrative Tribunal Office, Ethics Office, Diversity Office, Secretarial Support, Office for Asia and the Pacific, Office in Europe, the Ombudsman, the Mediator, the Grievance Committee, Economic Data Team, HQ1 Task Force, Investment Office, iLab and Knowledge Management Unit.
4/ Includes HR-related programs

Table 8a. Fund-financed Gross Administrative Spending Estimates by Output (indirect costs allocated), FY 16-20[1/]

	Millions of FY 20 U.S. dollars						Percent of total					
					FY 20						FY 20	
	FY 16	FY 17	FY 18	FY 19	Est. Resources	Proj. Outturn	FY 16	FY 17	FY 18	FY 19	Est. Resources	Proj. Outturn
Total	**1,183**	**1,193**	**1,197**	**1,201**	**1,197**	**1,191**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**265**	**262**	**273**	**260**	**263**	**263**	**22.4**	**21.9**	**22.8**	**22.0**	**21.9**	**22.1**
Global economic analysis	**130**	**129**	**130**	**125**	**127**	**127**	**11.0**	**10.8**	**10.9**	**10.6**	**10.6**	**10.7**
WEO	19	18	17	17	18	18	1.6	1.5	1.5	1.5	1.5	1.5
GFSR	16	16	17	14	15	15	1.4	1.3	1.4	1.2	1.2	1.3
General research	43	39	38	39	42	42	3.6	3.3	3.2	3.5	3.5	3.5
General outreach	52	57	57	54	53	53	4.4	4.8	4.8	4.4	4.4	4.4
Support and Inputs to Multilateral Forums and Consultations	**24**	**23**	**23**	**24**	**24**	**24**	**2.1**	**2.0**	**1.9**	**2.0**	**2.0**	**2.0**
Multilateral consultations	7	6	5	4	5	5	0.6	0.5	0.5	0.4	0.4	0.4
Support and Inputs to multilateral forums	18	17	18	20	19	19	1.5	1.4	1.5	1.6	1.6	1.6
Tools to prevent and resolve systemic crises	**64**	**68**	**77**	**69**	**66**	**66**	**5.4**	**5.7**	**6.4**	**5.5**	**5.5**	**5.6**
Analysis of vulnerabilities and imbalances	17	18	21	19	19	19	1.5	1.5	1.8	1.6	1.6	1.6
Other cross cutting analysis	42	45	49	44	43	43	3.6	3.8	4.1	3.6	3.6	3.6
Fiscal Monitor	4	5	7	5	4	4	0.3	0.4	0.6	0.4	0.4	0.4
Regional approaches to economic stability	**47**	**41**	**43**	**42**	**46**	**46**	**3.9**	**3.5**	**3.6**	**3.8**	**3.8**	**3.9**
REOs	22	19	20	19	22	23	1.8	1.6	1.6	1.9	1.9	1.9
Surveillance of regional bodies	11	9	8	8	6	6	0.9	0.7	0.6	0.5	0.5	0.5
Other regional projects	14	13	16	15	17	17	1.2	1.1	1.3	1.4	1.4	1.4
Oversight of global systems	**134**	**139**	**142**	**145**	**142**	**148**	**11.3**	**11.6**	**11.9**	**12.4**	**11.9**	**12.4**
Development of international financial architecture	**39**	**43**	**41**	**47**	**53**	**55**	**3.3**	**3.6**	**3.5**	**4.6**	**4.4**	**4.6**
Work with FSB and other international bodies	7	8	7	7	7	7	0.6	0.6	0.6	0.6	0.6	0.6
Other work on monetary, financial, and capital markets issues	32	36	34	40	46	47	2.7	3.0	2.8	4.0	3.8	4.0
Data transparency	**38**	**39**	**42**	**39**	**34**	**35**	**3.2**	**3.3**	**3.5**	**3.0**	**2.8**	**3.0**
Statistical information/data	30	31	33	31	25	26	2.5	2.6	2.8	2.2	2.1	2.2
Statistical manuals	3	2	2	2	2	2	0.2	0.2	0.2	0.2	0.2	0.2
Statistical methodologies	5	6	6	6	7	7	0.4	0.5	0.5	0.6	0.6	0.6
The role of the Fund	**57**	**56**	**59**	**59**	**56**	**58**	**4.8**	**4.7**	**4.9**	**4.8**	**4.6**	**4.8**
Development and review of Fund policies and facilities excl. PRGT and GRA	20	20	26	27	24	25	1.7	1.7	2.2	2.1	2.0	2.1
Development and review of Fund policies and facilities - PRGT	11	13	12	14	15	15	1.0	1.1	1.0	1.3	1.2	1.3
Development and review of Fund policies and facilities - GRA	9	9	9	8	7	7	0.7	0.8	0.8	0.6	0.6	0.6
Quota and voice	7	6	7	7	6	6	0.6	0.5	0.6	0.5	0.5	0.5
SDR issues	10	8	5	4	4	4	0.8	0.7	0.4	0.3	0.3	0.3
Bilateral surveillance	**320**	**333**	**335**	**346**	**330**	**337**	**27.0**	**27.9**	**28.0**	**28.3**	**27.6**	**28.3**
Assessment of economic policies and risks	**282**	**283**	**293**	**301**	**293**	**299**	**23.8**	**23.7**	**24.5**	**25.1**	**24.4**	**25.1**
Article IV consultations	209	209	221	230	225	230	17.7	17.5	18.5	19.3	18.8	19.3
Other bilateral surveillance	72	74	72	71	67	69	6.1	6.2	6.0	5.8	5.6	5.8
Financial soundness evaluations - FSAPs/OFCs	**28**	**40**	**33**	**37**	**32**	**32**	**2.3**	**3.3**	**2.8**	**2.7**	**2.6**	**2.7**
Standards and Codes evaluations	**10**	**10**	**9**	**9**	**6**	**6**	**0.9**	**0.8**	**0.8**	**0.5**	**0.5**	**0.5**
ROSCs	2	2	1	1	0	0	0.1	0.2	0.1	0.0	0.0	0.0
AML/CFT	2	2	2	2	1	1	0.2	0.1	0.2	0.1	0.1	0.1
GDDS/SDDS	7	6	5	6	5	5	0.6	0.5	0.5	0.4	0.4	0.4
Lending (incl. non-financial instruments)	**194**	**179**	**172**	**179**	**185**	**187**	**16.4**	**15.0**	**14.3**	**15.6**	**15.5**	**15.7**
Arrangements supported by Fund resources	**148**	**146**	**149**	**135**	**147**	**149**	**12.5**	**12.3**	**12.4**	**12.4**	**12.3**	**12.5**
Programs and precautionary arrangements supported by general resources	84	77	72	69	81	82	7.1	6.4	6.0	6.9	6.8	6.9
Programs supported by PRGT resources	64	70	76	66	66	67	5.4	5.8	6.4	5.6	5.5	5.6
Non-financial instruments and debt relief 2/	**46**	**33**	**23**	**44**	38	38	**3.9**	**2.8**	**1.9**	**3.2**	**3.2**	**3.2**
Capacity development	**222**	**224**	**242**	**247**	**236**	**239**	**18.8**	**18.8**	**20.2**	**20.3**	**19.7**	**20.1**
Technical assistance	173	176	194	198	189	191	14.6	14.7	16.2	16.3	15.8	16.1
Training	49	48	49	48	47	48	4.2	4.1	4.1	4.1	3.9	4.0
							-	-	-	-	-	-
Miscellaneous 3/	**30**	**29**	**23**	**23**	**26**	**16**	**2.6**	**2.4**	**1.9**	**1.4**	**2.2**	**1.4**
Contingency	...	...	...	...	**15**	...	...	...	...	...	**1.2**	...
Reconciliation item 4/	**18**	**28**	**9**	**0**	...	...	**1.5**	**2.4**	**0.7**	**-**	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are allocated to outputs.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model. Difference to FTC allocation represents mapping of direct departmental costs to IMF governance.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 8b. Total Gross Administrative Spending Estimates by Output (indirect costs allocated), FY 16-20[1/]

	Millions of FY 20 U.S. dollars						Percent of total					
					FY 20						FY 20	
	FY 16	FY 17	FY 18	FY 19	Estimated Structural Resources	Proj. Outturn	FY 16	FY 17	FY 18	FY19	Estimated Structural Resources	Proj. Outturn
Total	**1,337**	**1,355**	**1,380**	**1,381**	**1,397**	**1,383**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**265**	**262**	**274**	**260**	**263**	**263**	**19.8**	**19.3**	**19.8**	**18.8**	**18.8**	**19.0**
Global economic analysis	**130**	**129**	**130**	**125**	**127**	**127**	**9.7**	**9.5**	**9.4**	**9.0**	**9.1**	**9.2**
WEO	19	18	17	17	18	18	1.4	1.3	1.3	1.2	1.3	1.3
GFSR	16	16	17	14	15	15	1.2	1.2	1.2	1.0	1.1	1.1
General research	43	39	38	39	42	42	3.2	2.9	2.8	2.8	3.0	3.0
General outreach	52	57	57	54	53	53	3.9	4.2	4.2	3.9	3.8	3.8
Support and Inputs to Multilateral Forums and Consultations	**24**	**24**	**23**	**24**	**24**	**24**	**1.8**	**1.7**	**1.7**	**1.7**	**1.7**	**1.7**
Multilateral consultations	7	6	5	4	5	5	0.5	0.5	0.4	0.3	0.3	0.3
Support and Inputs to multilateral forums	18	17	18	20	19	19	1.3	1.3	1.3	1.4	1.4	1.4
Tools to prevent and resolve systemic crises	**64**	**68**	**77**	**69**	**66**	**66**	**4.8**	**5.0**	**5.6**	**5.0**	**4.7**	**4.8**
Analysis of vulnerabilities and imbalances	17	18	21	19	19	19	1.3	1.3	1.5	1.4	1.4	1.4
Other cross cutting analysis	42	45	49	44	43	43	3.2	3.3	3.6	3.2	3.1	3.1
Fiscal Monitor	4	5	7	5	4	4	0.3	0.4	0.5	0.4	0.3	0.3
Regional approaches to economic stability	**47**	**41**	**43**	**43**	**46**	**46**	**3.5**	**3.0**	**3.1**	**3.1**	**3.3**	**3.3**
REOs	22	19	20	19	22	23	1.6	1.4	1.4	1.4	1.6	1.6
Surveillance of regional bodies	11	9	8	8	6	6	0.8	0.7	0.6	0.6	0.4	0.4
Other regional projects	14	13	16	15	17	17	1.1	1.0	1.1	1.1	1.2	1.2
Oversight of global systems	**134**	**139**	**143**	**146**	**142**	**148**	**10.0**	**10.2**	**10.3**	**10.6**	**10.2**	**10.7**
Development of international financial architecture	**39**	**43**	**41**	**47**	**53**	**55**	**2.9**	**3.2**	**3.0**	**3.4**	**3.8**	**4.0**
Work with FSB and other international bodies	7	8	7	7	7	7	0.5	0.6	0.5	0.5	0.5	0.5
Other work on monetary, financial, and capital markets issues	32	36	34	40	46	47	2.4	2.6	2.5	2.9	3.3	3.4
Data transparency	**38**	**39**	**42**	**39**	**34**	**35**	**2.8**	**2.9**	**3.0**	**2.8**	**2.4**	**2.6**
Statistical information/data	30	31	33	31	25	26	2.2	2.3	2.4	2.2	1.8	1.9
Statistical manuals	3	2	2	2	2	2	0.2	0.2	0.2	0.2	0.1	0.1
Statistical methodologies	5	6	6	6	7	7	0.4	0.4	0.4	0.5	0.5	0.5
The role of the Fund	**57**	**56**	**60**	**59**	**56**	**58**	**4.3**	**4.1**	**4.3**	**4.3**	**4.0**	**4.2**
Development and review of Fund policies and facilities excl. PRGT and GRA	20	20	27	27	25	26	1.5	1.5	1.9	1.9	1.8	1.8
Development and review of Fund policies and facilities - PRGT	11	13	12	14	15	15	0.8	0.9	0.8	1.0	1.1	1.1
Development and review of Fund policies and facilities - GRA	9	9	9	8	7	7	0.6	0.7	0.7	0.6	0.5	0.5
Quota and voice	7	6	7	7	6	6	0.6	0.4	0.5	0.5	0.4	0.4
SDR issues	10	8	5	4	4	4	0.7	0.6	0.4	0.3	0.3	0.3
Bilateral surveillance	**320**	**333**	**336**	**347**	**330**	**337**	**23.9**	**24.6**	**24.3**	**25.1**	**23.6**	**24.4**
Assessment of economic policies and risks	**282**	**283**	**293**	**301**	**293**	**299**	**21.1**	**20.9**	**21.2**	**21.8**	**20.9**	**21.6**
Article IV consultations	209	210	221	230	225	230	15.6	15.5	16.0	16.6	16.1	16.6
Other bilateral surveillance	73	74	72	71	67	69	5.4	5.4	5.2	5.1	4.8	5.0
Financial soundness evaluations - FSAPs/OFCs	**28**	**40**	**33**	**37**	**32**	**32**	**2.1**	**2.9**	**2.4**	**2.7**	**2.3**	**2.3**
Standards and Codes evaluations	**10**	**10**	**9**	**9**	**6**	**6**	**0.8**	**0.7**	**0.7**	**0.6**	**0.4**	**0.4**
ROSCs	2	2	1	1	0	0	0.1	0.2	0.1	0.1	0.0	0.0
AML/CFT	2	2	2	2	1	1	0.1	0.1	0.2	0.2	0.1	0.1
GDDS/SDDS	7	6	5	6	5	5	0.5	0.5	0.4	0.4	0.3	0.3
Lending (incl. non-financial instruments)	**194**	**179**	**172**	**179**	**185**	**187**	**14.5**	**13.2**	**12.4**	**13.0**	**13.2**	**13.6**
Arrangements supported by Fund resources	**148**	**146**	**149**	**135**	**147**	**149**	**11.1**	**10.8**	**10.8**	**9.8**	**10.5**	**10.8**
Programs and precautionary arrangements supported by general resources	84	77	72	69	81	82	6.3	5.7	5.2	5.0	5.8	6.0
Programs supported by PRGT resources	64	70	76	66	66	67	4.8	5.1	5.5	4.8	4.7	4.8
Non-financial instruments and debt relief 2/	**46**	**33**	**23**	**44**	38	38	**3.4**	**2.4**	**1.7**	**3.2**	**2.7**	**2.8**
Capacity development	**365**	**372**	**419**	**422**	**436**	**430**	**27.3**	**27.5**	**30.4**	**30.6**	**31.2**	**31.1**
Technical assistance	305	311	352	354	363	358	22.8	23.0	25.5	25.6	26.0	25.9
Training	60	61	67	68	73	72	4.5	4.5	4.8	4.9	5.3	5.2
							-	-	-	-	-	-
Miscellaneous 3/	**45**	**49**	**29**	**27**	**26**	**16**	**3.4**	**3.6**	**2.1**	**2.0**	**1.9**	**1.2**
Contingency	...	...	...	...	**15**	...	...	...	...	...	**1.0**	...
Reconciliation item 4/	**14**	**21**	**8**	**0**	...	...	**1.1**	**1.5**	**0.6**	**-**	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are allocated to outputs.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model. Difference to FTC allocation represents mapping of direct departmental costs to IMF governance.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 8c. Fund-financed Gross Administrative Spending Estimates by Output (direct costs), FY 16-20[1/]

	Millions of FY 20 U.S. dollars						Percent of total					
					FY 20						FY 20	
	FY 16	FY 17	FY 18	FY 19	Estimated Structural Resources	Proj. Outturn	FY 16	FY 17	FY 18	FY 19	Estimated Structural Resources	Proj. Outturn
Total	**1,183**	**1,193**	**1,197**	**1,201**	**1,197**	**1,191**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**176**	**174**	**179**	**172**	**176**	**174**	**14.9**	**14.6**	**15.0**	**14.3**	**14.7**	**14.6**
Global economic analysis	**89**	**89**	**89**	**87**	**89**	**88**	**7.6**	**7.5**	**7.5**	**7.2**	**7.4**	**7.4**
WEO	11	11	11	11	11	11	1.0	0.9	0.9	0.9	0.9	0.9
GFSR	10	10	11	9	10	10	0.8	0.8	0.9	0.8	0.8	0.8
General research	27	24	24	24	27	26	2.3	2.0	2.0	2.2	2.2	2.2
General outreach	41	44	44	42	41	40	3.5	3.7	3.7	3.3	3.4	3.4
Support and Inputs to Multilateral Forums and Consultations	**16**	**15**	**14**	**15**	**15**	**15**	**1.3**	**1.3**	**1.2**	**1.2**	**1.3**	**1.3**
Multilateral consultations	4	4	3	3	3	3	0.4	0.3	0.3	0.2	0.2	0.2
Support and Inputs to multilateral forums	11	11	11	13	12	12	0.9	0.9	0.9	1.0	1.0	1.0
Tools to prevent and resolve systemic crises	**40**	**43**	**48**	**43**	**42**	**42**	**3.4**	**3.6**	**4.0**	**3.4**	**3.5**	**3.5**
Analysis of vulnerabilities and imbalances	11	11	13	12	12	11	0.9	0.9	1.1	0.9	1.0	1.0
Other cross cutting analysis	27	29	31	28	28	27	2.3	2.4	2.6	2.3	2.3	2.3
Fiscal Monitor	2	3	4	3	3	3	0.2	0.2	0.3	0.2	0.2	0.2
Regional approaches to economic stability	**31**	**27**	**28**	**27**	**30**	**30**	**2.6**	**2.2**	**2.3**	**2.4**	**2.5**	**2.5**
REOs	14	13	13	12	15	15	1.2	1.1	1.1	1.2	1.2	1.2
Surveillance of regional bodies	7	6	5	5	4	4	0.6	0.5	0.4	0.3	0.3	0.3
Other regional projects	10	8	10	10	11	11	0.8	0.7	0.9	0.9	0.9	0.9
Oversight of global systems	**88**	**91**	**91**	**93**	**92**	**96**	**7.5**	**7.6**	**7.6**	**7.9**	**7.7**	**8.1**
Development of international financial architecture	**25**	**28**	**27**	**30**	**34**	**36**	**2.1**	**2.3**	**2.2**	**3.0**	**2.9**	**3.0**
Work with FSB and other international bodies	5	5	5	5	5	5	0.4	0.4	0.4	0.4	0.4	0.4
Other work on monetary, financial, and capital markets issues	20	22	22	26	29	31	1.7	1.9	1.8	2.5	2.5	2.6
Data transparency	**24**	**25**	**26**	**24**	**22**	**23**	**2.0**	**2.1**	**2.2**	**1.9**	**1.8**	**1.9**
Statistical information/data	19	20	21	19	16	17	1.6	1.7	1.7	1.4	1.3	1.4
Statistical manuals	2	1	1	1	1	1	0.1	0.1	0.1	0.1	0.1	0.1
Statistical methodologies	3	4	4	4	4	5	0.3	0.3	0.3	0.4	0.4	0.4
The role of the Fund	**39**	**38**	**39**	**39**	**36**	**37**	**3.3**	**3.2**	**3.2**	**3.1**	**3.0**	**3.1**
Development and review of Fund policies and facilities excl. PRGT and GRA	14	14	17	18	15	16	1.2	1.2	1.4	1.3	1.3	1.4
Development and review of Fund policies and facilities - PRGT	7	8	7	8	9	10	0.6	0.7	0.6	0.8	0.8	0.8
Development and review of Fund policies and facilities - GRA	6	6	6	5	4	5	0.5	0.5	0.5	0.4	0.4	0.4
Quota and voice	6	4	5	5	4	4	0.5	0.4	0.4	0.3	0.3	0.3
SDR issues	7	5	3	3	3	3	0.6	0.5	0.3	0.2	0.2	0.2
Bilateral surveillance	**209**	**214**	**215**	**220**	**212**	**216**	**17.6**	**18.0**	**18.0**	**17.9**	**17.7**	**18.2**
Assessment of economic policies and risks	**185**	**183**	**189**	**191**	**189**	**192**	**15.6**	**15.4**	**15.8**	**15.9**	**15.7**	**16.1**
Article IV consultations	138	135	142	146	145	148	11.6	11.3	11.8	12.2	12.1	12.4
Other bilateral surveillance	48	49	47	46	44	45	4.0	4.1	3.9	3.7	3.7	3.7
Financial soundness evaluations - FSAPs/OFCs	**17**	**25**	**21**	**23**	**20**	**20**	**1.4**	**2.1**	**1.7**	**1.7**	**1.7**	**1.7**
Standards and Codes evaluations	**7**	**6**	**6**	**5**	**4**	**4**	**0.6**	**0.5**	**0.5**	**0.3**	**0.3**	**0.3**
ROSCs	1	1	1	0	0	0	0.1	0.1	0.1	0.0	0.0	0.0
AML/CFT	1	1	2	1	1	1	0.1	0.1	0.1	0.1	0.1	0.1
GDDS/SDDS	4	4	3	3	3	3	0.4	0.3	0.3	0.2	0.2	0.3
Lending (incl. non-financial instruments)	**130**	**118**	**113**	**117**	**124**	**125**	**11.0**	**9.9**	**9.4**	**10.2**	**10.4**	**10.5**
Arrangements supported by Fund resources	**99**	**96**	**98**	**88**	**99**	**99**	**8.4**	**8.1**	**8.2**	**8.1**	**8.2**	**8.3**
Programs and precautionary arrangements supported by general resources	56	51	48	46	55	55	4.7	4.3	4.0	4.5	4.6	4.6
Programs supported by PRGT resources	43	45	50	42	44	44	3.6	3.8	4.2	3.6	3.7	3.7
Non-financial instruments and debt relief 2/	**31**	**22**	**15**	**29**	**25**	**25**	**2.6**	**1.8**	**1.2**	**2.1**	**2.1**	**2.1**
Capacity development	**143**	**143**	**145**	**144**	**145**	**146**	**12.1**	**12.0**	**12.1**	**11.9**	**12.1**	**12.2**
Technical assistance	105	107	110	110	111	112	8.9	8.9	9.2	9.2	9.3	9.4
Training	37	36	35	34	34	34	3.2	3.0	2.9	2.8	2.8	2.9
Support and Governance	**389**	**397**	**422**	**432**	**407**	**418**	**32.9**	**33.3**	**35.2**	**36.4**	**34.0**	**35.1**
Miscellaneous 3/	**30**	**29**	**23**	**23**	**26**	**16**	**2.6**	**2.4**	**1.9**	**1.4**	**2.2**	**1.4**
Contingency	...	...	...	...	**15**	...	...	...	...	...	**1.2**	...
Reconciliation item 4/	**18**	**28**	**9**	**0**	...	...	**1.5**	**2.4**	**0.7**	**-**	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are shown as a separate item.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model. Difference to FTC allocation represents mapping of direct departmental costs to IMF governance.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 9. Capital Expenditures

(Millions of U.S. dollars)

	Formula Key	Facilities	Information Technology	HQ2	HQ1 Renewal	Concordia Renovation	Total Capital
FY 14							
New appropriations	(6)	17.4	23.8	0.0	0.0	0.0	41.2
Total funds available	(7) = (5)+(6)	29.8	49.4	0.0	405.3	9.3	493.8
Expenditures	(8)	10.1	36.6	0.0	92.2	4.8	143.8
Lapsed funds 1/	(9)	0.5	0.0	0.0	0.0	3.9	4.4
Remaining funds 2/	(10) = (7)-(8)-(9)	19.2	12.8	0.0	313.1	0.6	345.7
FY 15							
New appropriations	(11)	22.0	29.8		0.0	0.6 3/	52.4
Total funds available	(12) = (10)+(11)	41.2	42.6		313.1	0.6	397.4
Expenditures	(13)	10.5	29.3		95.7	0.3	135.8
Lapsed funds 1/	(14)	0.6	0.3		0.0	0.3	1.2
Remaining funds 2/	(15) = (12)-(13)-(14)	30.1	12.9		217.4	0.0	260.4
FY 16							
New appropriations	(16)	14.4	27.7		132.0 4/		174.1
Total funds available	(17)= (15)+(16)	44.5	40.6		349.4		434.5
Expenditures	(18)	14.6	25.8		90.1		130.5
Lapsed funds 1/	(19)	0.4	0.1		0.0		0.6
Remaining funds 2/	(20) = (17)-(18)-(19)	29.4	14.7		259.2		303.4
FY 17							
New appropriations	(21)	32.5	28.0		0.0		60.5
Total funds available	(22)= (20)+(21)	62.0	42.7		259.2		363.9
Expenditures	(23)	17.9	27.9		76.3		122.1
Lapsed funds 1/	(24)	5.4	0.2		0.0		5.6
Remaining funds 2/	(25) = (22)-(23)-(24)	38.7	14.6		182.9		236.2
FY 18							
New appropriations	(26)	31.4	35.0		0.0		66.4
Total funds available	(27)= (25)+(26)	70.1	49.6		182.9		302.6
Expenditures	(28)	22.3	31.4		62.3		116.0
Lapsed funds 1/	(29)	0.3	0.0		0.0		0.3
Remaining funds	(30) = (27)-(28)-(29)	47.4	18.2		120.6		186.3
FY 19							
New appropriations	(31)	35.5	35.9		0.0		71.4
Total funds available	(32)= (30)+(31)	82.8	54.1		120.6		257.5
Expenditures	(33)	28.7	30.9		81.6		141.2
Lapsed funds 1/	(34)	5.9	0.0		0.0		5.9
Remaining funds	(35) = (27)-(28)-(29)	48.1	23.2		39.0		110.4
FY 20							
New appropriations	(36)	40.8	45.0		0.0		85.8
Total funds available	(37)= (35)+(36)	88.9	68.2		39.0		196.2
Expenditures (Est.)	(38)	40.3	40.0		23.8		104.1
Remaining funds (Est.) 2/	(39) = (37)-(38)	48.6	28.2		15.2		92.1

Sources: Office of Budget and Planning and Corporate Services and Facilities Department and Information Technology Department.

1/ Figures reflect funds that were not spent within the three-year appropriation period; e.g., FY 16 appropriated funds lapsed at the end of FY 18.

2/ Figures reflect the unspent amount of the budget appropriation in the period concerned. Those funds can be used for authorized projects in the period covered by the appropriation

3/ Unspent Concordia funds appropriated in FY 12 expired at the end of FY 14 with the exception of $0.6 million that was specifically reappropriated for FY 15 to complete the remaining work under the project.

4/ Additional appropriations were approved for the HQ1 Renewal Program during FY 16.

CONFIDENTIAL

FY 2021-FY 2023 MEDIUM-TERM BUDGET

March 24, 2020

EXECUTIVE SUMMARY (NEW)

The FY 21 budget is set in a fast-moving and exceptionally uncertain global context. The ongoing Covid-19 outbreak demands urgent, coordinated actions by the Fund, its members, and other partners. The Fund has pledged to do whatever it takes within its mandate to contribute to the global Covid-19 crisis response and is mobilizing its teams and broader resources to do so. The budget impact will need to be reviewed as needs become clearer. Looking ahead, the membership faces longer-term challenges, including from technological change, inequality, social tensions, and climate change.

The FY 21 budget sets out the baseline for the Fund's continued efforts to redirect resources to meet the membership's changing priorities. Recognizing that crisis response will take first priority, the Fund will continue its work to support members in enhancing resilience while addressing social and developmental challenges, including in fragile states. Increasing emphasis on integrating capacity development with the Fund's surveillance and lending work will also support these priorities. Analytical and policy work will look at the global implications of the crisis and its impact on the Fund's work, while further zooming in on the macroeconomic and financial impact of climate change, fintech, cybersecurity, inequality, lower-for-longer, trade frictions, and the Integrated Policy Framework. Key Fund policy reviews planned for FY 21 include data provision for surveillance purposes, delayed Article IVs, the Catastrophe Containment and Relief Trust, Debt Sustainability for Market Access Countries, and debt limits, as well as the implementation of the Comprehensive Surveillance and FSAP Reviews.

FY 21 is also marked by ongoing modernization efforts and transition. The budget takes into account the Comprehensive Compensation and Benefits Review and accommodates large transitional costs for reforms to the Fund's HR and information technology service delivery models, as well as large business modernization projects. The proposed capital budget covers these modernization efforts, as well as facilities-related needs. An update to the Capital Investment Framework is proposed to recalibrate governance and procedures in line with the changing landscape for capital investment.

The baseline budget proposal maintains a flat real resource envelope. With virtually full budget utilization and upfront allocation of available temporary resources, budgetary buffers have been reduced and the extraordinary uncertainty from the crisis will require further consideration as the needs coming out of the crisis become clearer. The Fund will continue to look for efficiency gains and reallocations to fund urgent needs and new priorities. In the context of the Covid-19 driven crisis, non-urgent work will also be deferred. Over the medium-term, structural savings from modernization projects will also create some budget space.

Approved By
Michele Shannon

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1. **The FY 21 budget is set in a fast-moving and exceptionally uncertain global context.**

- The ongoing Covid-19 outbreak, and the related impact on real activity and markets, have injected extraordinary uncertainty into the global outlook. This is particularly challenging for countries with weaker health systems and response capacity, including those with vulnerable external, fiscal, and financial sector balance sheets. The Fund, working together with other international bodies, is mobilizing to respond to members' needs in an agile way, including with financing, where needed.

- The global economy is characterized by increased uncertainty beyond the crisis, with the membership facing challenges on various fronts, including rapid technological change, rising inequality and social tensions, and the increasingly urgent call to address climate change. A re-examination of fundamental macroeconomic relationships continues a decade after the global financial crisis in the context of a sustained low interest rate environment and rising debt, with the need for attention to deep structural trends that present risks for the longer term.

2. **The baseline FY 21 budget reflects evolving priorities defined by the membership.** Recognizing the need to remain agile in addressing the needs from the crisis, the FY 21 budget takes as its starting point the membership's priorities as laid out in the Managing Director's Fall 2019 Global Policy Agenda, the Fall 2019 IMFC Communiqué, and the Executive Board's December 2019 Work Program to:

- Turn evidence-based analysis into actionable policy recommendations to make economies more resilient and inclusive,
- Contribute to improving the multilateral system and upgrading international cooperation to bring the benefits of integration to all,
- Modernize the Fund's policy toolkits to meet the challenges of a fast-changing world, and
- Safeguard the Fund's financial strength and undertake an ambitious internal modernization agenda.

3. **The Fund has maintained a flat real budget for the past eight years**—excluding a $6 million security related increase in FY 17—supported by robust efforts to identify savings to fund new spending priorities.[1] At the same time, enhanced budgetary procedures have increased execution to near 100 percent of approved budgets since FY 18. Ambitious internal modernization efforts are expected to yield further efficiency gains and savings over the medium term, creating room to take on new challenges. In the short term, more resources are needed to support related transition costs.

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[1] Key budget concepts and deflator methodology are described in Appendix I and Appendix II. See Appendix III for technical assumptions underlying the formulation of the FY 21 budget.

4. **Recognizing that the budget impact of the crisis will require further time to assess, the baseline FY 21 budget proposal maintains a flat real envelope.**

- The proposed net FY 21 administrative budget of $1,158 million in constant FY 20 dollars (Table 1) represents a continued flat real resource envelope.[2] In nominal terms, the proposed net administrative budget is $1,186 million. The nominal budget reflects a change in the calculation of the Fund's Global External Deflator (GED) to equal projected U.S. CPI inflation as published in the most recent World Economic Outlook.[3]
- While also subject to an unusual level of uncertainty, the FY 20 budget outturn is projected to remain within the approved structural level (Appendix IV). As such, the maximum carry forward of $32.3 million—and an additional $15.1 million for the Office of Executive Directors (OED) and $0.3 million for the Internal Evaluation Office—would remain available.[4] In addition, as part of streamlining efforts, the Executive Board has decided that an amount equivalent to the OED FY 2020 central carry forward shall be made available for the Fund's general administrative budget. This amount is currently estimated to be $4.7 million, raising the total carry forward for the general administrative budget to $37 million. Final amounts will be established as part of the year-end closure of the financial books.[5]

5. **Some capacity development (CD) needs are met by external financing sources.** Donor support is proposed to finance $206 million in capacity development (CD) activities—in addition to $143 million in Fund financing for CD—aligned with the Fund's strategic priorities. Together with other receipts, this would bring the gross administrative budget to $1,429 million in nominal terms.

6. **The capital budget is expected to be broadly in line with that projected in the FY 20-22 budget.** For FY 21, the proposed capital budget is $98½ million in current U.S. dollars. This paper also proposes an update to the Fund's Capital Investment Framework.

- Facilities: The proposed budget of $42½ million supports mainly end-of-life-cycle replacements, including for furniture, audio-visual equipment, and HQ1 building equipment.
- IT: The proposed budget of $56 million supports 1HR and the Capacity Development Management and Administration Program (CDMAP) implementation, replacement of the Fund's document management system, the start of iDATA's implementation, and preliminary work on the integrated digital workplace (IDW), as well as enhanced Information security and a portfolio of smaller projects focusing on critical replacement and targeted upgrades.

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[2] Subject to the approval by the Executive Board, the budget envelope assumes an unchanged net administrative budget for the Independent Evaluation Office (IEO) as well as for the Offices of Executive Directors (OED), except for a reduction of $2.4 million from OED that is available to the Fund's general budget to meet institutional priorities (EBAP/20/24, March 6, 2020).

[3] Appendix II details procedures that will be applied to implement the new methodology.

[4] Accumulated through previous underspending and projected to be available to meet transitional needs in FY 21.

[5] Total streamlining efforts (structural and transitional) of the OED amounted to about $7 million, which are incorporated in the budget proposal to help meet institutional priorities. See also *OED Budget Framework—Proposed Streamlining of OED Central Budget Accounts* (EBAP/20/24, dated March 6, 2020).

Table 1. Administrative and Capital Budget Envelopes, FY 21-23 REVISED

(Millions of U.S. dollars, unless otherwise noted)

	FY 20		Budget changes			Proposed	Indicative	
	Budget	Est. Outturn	Demands	Savings	Donor financed	FY 21 Budget	FY 22 Budget 1/	FY 23 Budget
Constant FY 20 USD								
Gross administrative budget	1,397	1,383	41	44	6	1,400	1,411	1,409
Receipts	-239	-225	3	0	-6	-242	-246	-251
Net Administrative Budget	1,158	1,158	44	44	-	1,158	1,164	1,158
of which Annual Meetings							*6*	
Capital Budget (IT and Facilities)	86	80				96	84	86
Current USD								
Total operational income	3,410	3,088				2,654	3,267	2,331
Gross administrative budget	1,397	1,383				1,429	1,469	1,496
Receipts	-239	-225				-243	-248	-254
of which: externally-financed	*-200*	*-191*				*-206*	*-210*	*-215*
Net Administrative Budget	1,158	1,158				1,186	1,221	1,243
Capital Budget (IT and Facilities)	86	80				99	88	92
Memo items:								
Carry forward (upper limit) 2/	47	...				48	...	...
Global external deflator (change) 3/	2.6	...				2.4	2.4	2.3
Personnel component (70 percent)	2.7	...				...	...	...
Non-personnel (30 percent)	2.3	...				...	...	...

Source: Office of Budget and Planning.

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

1/ Includes travel to the Annual Meetings held abroad.

2/ Carry forward is subject to actual spending in the preceding year and therefore not projected for FY 22-FY 23.

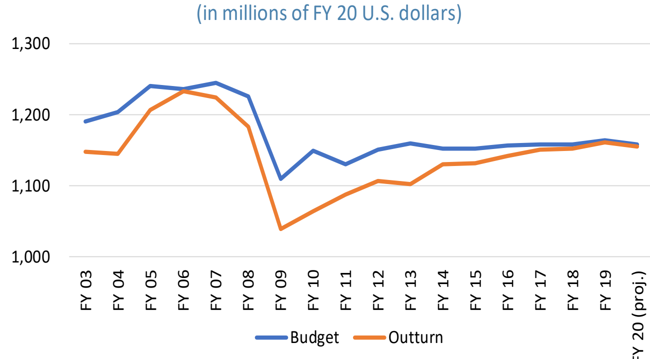
3/ Starting in FY 21, GED is equal to the most recently published WEO projection for U.S. CPI. See Appendix II.

7. **The budget is fully funded by operating income.** The Fund's operational income is currently projected at $2,654 million, well above budgeted spending in FY 21 (these figures will be updated in the forthcoming *Review of the Fund's Income Position for FY 2020 and FY 2021-2022* paper).

BUDGET EVOLUTION OVER THE LAST DECADE

8. **Over the last decade, the Fund's budget has evolved to meet changing needs, while fostering spending efficiency and safeguarding financial sustainability.** Since FY 12, the Fund's structural budget has been kept flat in real terms. This followed a period of budgetary consolidation prior to the global financial crisis, and one of measured increase thereafter to address the crisis and support the Fund's enhanced role in safeguarding global economic and financial stability. Overall, the Fund's budget today is about 7 percent lower in FY 20 dollars than its pre-crisis level in FY 07.

Net admininistrative budget and outturn, FY 03-20
(in millions of FY 20 U.S. dollars)

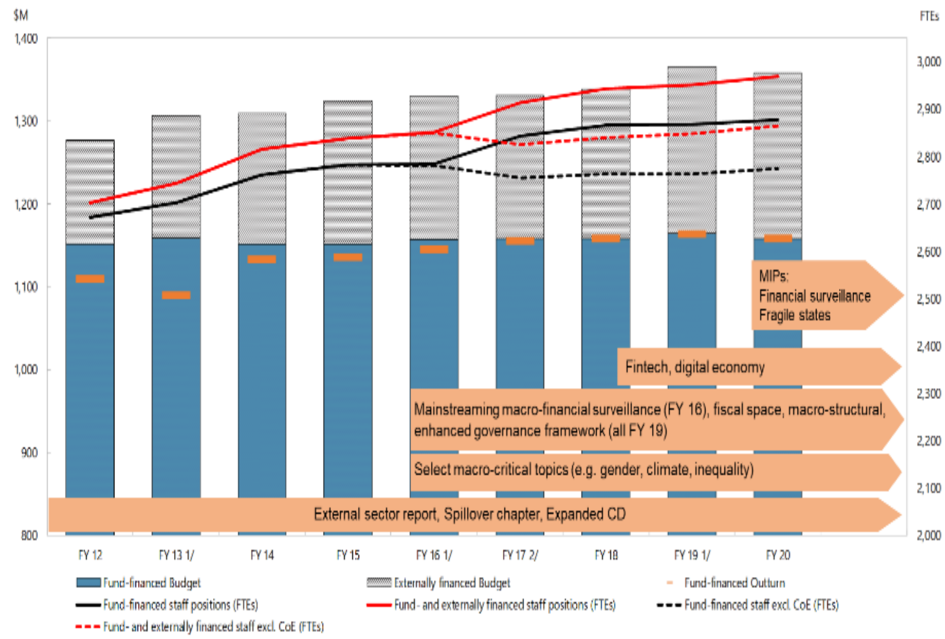


Source: FACTS, Office of Budget and Planning.

9. **Within the flat real budget envelope, Fund activities have shifted in a rapidly changing world** (Figure 1). Reflecting lessons from the global financial crisis, the Fund introduced the External Sector Report, deepened its spillover work, and strengthened the underpinnings of policy advice on macro-financial issues. It took on new emerging macro-critical issues, in particular, macrostructural policies to foster growth, fiscal space, and governance, climate change, inequality, and digitalization. In addition, the Fund has increased its focus on fragile and conflict-affected states (FCS) and expanded its CD delivery significantly, increasingly supported by donor financing. Internal support activities have also increased, reflecting greater investment in knowledge and risk management, upgrading of data management tools, as well as pressures from IT and physical security. The Fund also enhanced and expanded its communication efforts, to understand better the concerns of members and stakeholders, and to convey the IMF's advice in a more impactful way. As the Fund responded to these evolving priorities, it continued to improve its tools to report on activities, with tracking work on specific topics often being done through ad-hoc surveys (Appendix V).

Figure 1. Doing More Within a Flat Real Budget Envelope

(FY 12-FY 20, in millions of FY 20 U.S. dollars, unless otherwise noted)



Source: Office of Budget and Planning
1/ Includes additional resources for Annual Meetings held abroad.
2/ Includes $6 million earmarked for security.

10. **Staffing has grown by around 250 FTEs since FY 12, including externally financed positions.** Close to 100 additional staff positions were financed through administrative measures, e.g., real erosion in travel budgets, release of central margins, and other savings from efficiencies in departments. Over 50 additional positions were funded by donors, helping to support expansion in CD activities. Moreover, 120 FTEs were added in FY 16–18 through implementation of the Categories of Employment (CoE) reform for work previously staffed by contractual employees, with a small number of positions added in FY 19-20. In parallel, the Fund has increased its field presence. Since FY 12, the number of resident representatives, experts, and staff in regional capacity development

centers has increased over 40 percent. Combined with local staff, the Fund has some 900 staff in 114 offices, more than half of which are in low-income countries and fragile states.

11. **The Fund's ability to respond nimbly to changing needs has been supported by:**

- **Strengthened execution.** Utilization of the Fund's administrative budget has increased to near 100 percent, supported by enhanced budget procedures. This includes provisions to carry forward a portion of unspent resources into future years, providing a buffer that has facilitated high execution in recent years.

- **Increased donor funding.** External funding has doubled since FY 12, now supporting about 60 percent of the Fund's CD operations. This funding, coupled with an increase of the Fund's own resources, has underpinned the ramp up in CD to about a third of Fund activities.

- **Modernization and streamlining.** Reprioritization efforts have been supported through centralized streamlining exercises. A $20 million package of measures, agreed as part of the FY 16 medium-term budget, focused on streamlining a range of multilateral surveillance outputs, moving most regular policy reviews to five-year cycles, reducing the frequency of country program reviews and post-program monitoring, and reducing funding for technical assistance available to advanced economies. In mid-2018, a follow-up modernization and streamlining review proposed measures across a wide range of Fund activities, most of which have been implemented or folded into ongoing modernization efforts (Appendix VI).

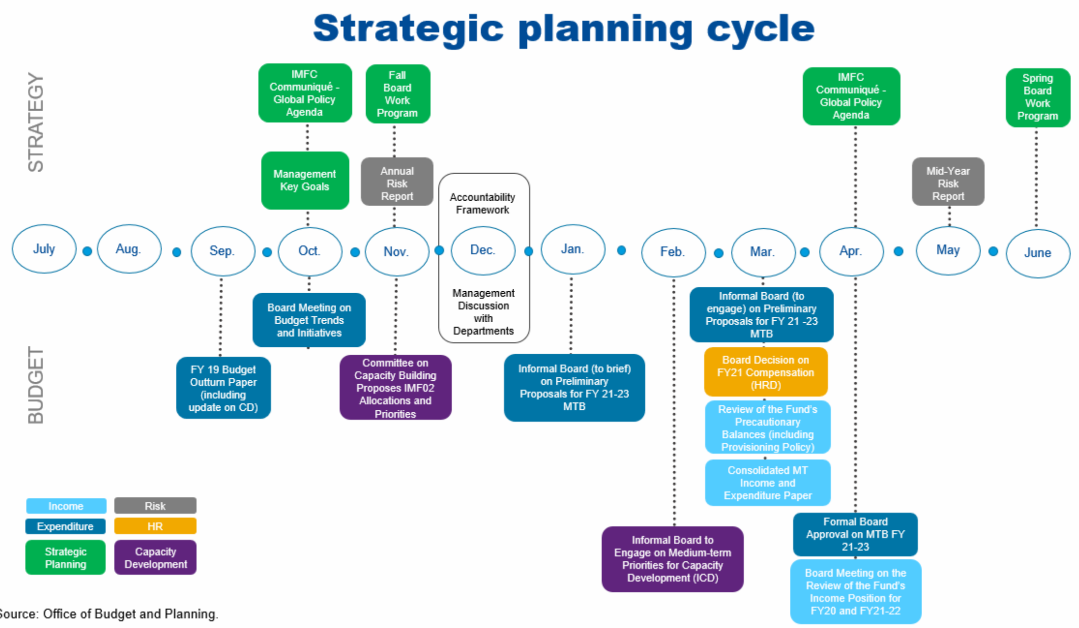
- **Reprioritization.** The discipline of a flat real budget environment has also driven a multi-pronged effort to identify opportunities for efficiencies. As part of the broader strategic planning framework (Box 1), a structured annual exercise was introduced in FY 16 to identify savings, leading to a broad range of measures across departments (Box 2).

12. **Shifts in the Fund's priorities have been reflected in reallocations across departments** (Figures 2 and 3). Since the global financial crisis, Fund-financed resources have stabilized in area departments as program work eased, and have grown in functional departments (SPR, RES, FIN, and COM).[6] Since FY 12, the share of CD-delivering functional departments in total resources has increased significantly (particularly FAD), mainly driven by the significant growth in CD financed by donors. The share of the four main support departments (CSF, HRD, ITD, SEC) has risen over this time, reflecting spending pressures on physical and information security, and provision of support services that are more integrated with business needs (e.g. creative services, enhanced campus facilities, annual and spring meetings).

[6] The FY 17 reduction in area department budgets reflects centralization of payments for overseas allowances.

Box 1. The Fund's Budget Process

Strategic Framework: The budget process is part of a broader strategic planning framework incorporating activities on strategic prioritization, risk management, and financial and budget management. The starting point for the annual budget exercise is the membership's priorities as expressed in the Managing Director's Global Policy Agenda, the IMFC Communiqué, and the Board Work Program. Together, these priorities guide the focus of bilateral and multilateral surveillance, policy and analytical work, CD, and internal reforms. The budget process also takes on board input from periodic policy reviews and evaluations.



Source: Office of Budget and Planning.

Reallocating resources: Redirection of resources mainly takes place within departments and existing workstreams. The budget process itself translates priorities into reallocations across departments and outputs as needed. This is conducted through a "savings and demands" exercise. Departments, in consultation with OBP and management, identify where additional resources are needed to respond to the membership's needs and management's guidance. In recent years, these gross reallocations, along with central savings and modernization, have amounted to about 2-4 percent of the administrative budget. For FY 21, departments identified further measures—in addition to the savings and demand process—as contingency savings that could be tapped as needed.

Link to other budget-related issues: In parallel, the Board reviews the income and expenditure position, staff compensation, and the capital budget. In FY 21 the Fall Committee on Capacity Building (CCB) established stronger links with the budget process and a Board briefing on the implementation of CD priorities has been added.

Transitional Funding: New priorities are often initially accommodated through transitional resources and absorbed into structural resources in subsequent years. For example, a small amount in transitional resources was provided for anti-corruption/governance work beginning in FY 18. As the enhanced governance framework was adopted, resources were increased in FY 19 with a 60–40 percent mix between structural and transitional. In FY 20, the share of resources for anti-corruption/governance provided on a structural basis was increased further to 80 percent. This approach allows new priorities to be absorbed into the structural base over time, as savings in other areas create room.

Box 2. Examples of Departmental Savings Measures

Departments have undertaken measures from fundamental changes in the way they work to more targeted one-off measures with small impact individually but significant cumulative effects. Examples include:

Country work/Analytics:

- Strengthened rigor in shifting country-by-country resourcing (numbers and levels) in line with changing circumstances (e.g., vulnerability; program status).
- Reduced field presence where program engagement has wound down (e.g., consolidation or closure of European field offices post crisis), with increased field presence where new programs were being put in place or to support CD (e.g., RTAC serving Central Asia, Caucasus and Mongolia, CCAM).
- More selective and focused use of Selected Issues Papers, as well as Staff Discussion Notes, with a stronger link to Fund and member priorities.
- Cross-departmental coordination on analysis and operationalization of work on emerging issues to avoid overlap and ensure knowledge and experience sharing. Interdepartmental working groups and committees, as well as country piloting, play a key role in this regard (e.g., Surveillance Committee; CD-Surveillance Integration Working Group; Gender; Fiscal Space; Macro-structural; and Inequality Pilots).
- Continued shift to more focused country review, e.g., covering a narrower set of vulnerable or systemic countries, focusing on key topics, or lighter review for staff reports after full review of policy notes.
- Reduced travel through more targeted missions, greater remote engagement, and advanced ticketing.

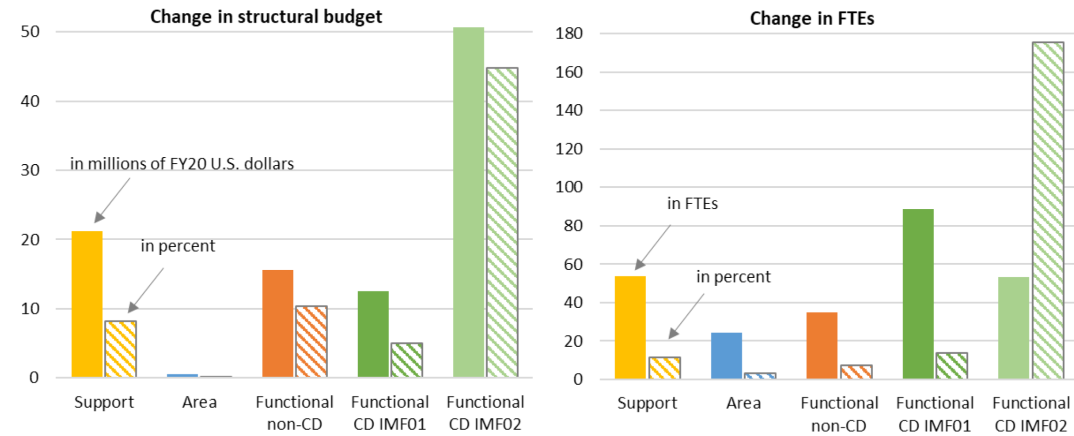
Policy:

- Sequenced policy reviews on related topics to minimize bunching for relevant staff.
- Paced policy reforms consistent with available resources (e.g., standard five-year cycle for policy reviews, paced CD-Strategy review implementation agenda).

Services:

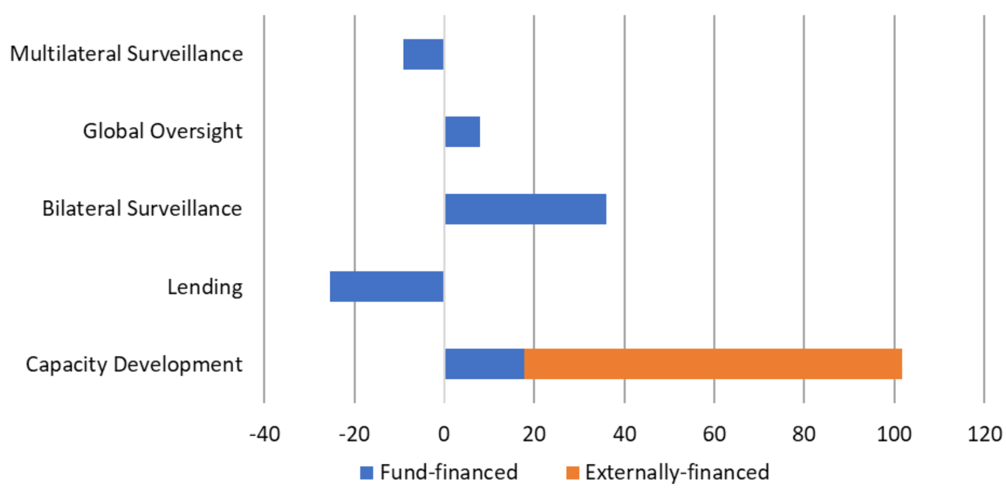
- Outsourced or reduced services (e.g., ground transportation; reduced direct overseas residential real estate support; switch from print to online publications); rationalization of data subscriptions and contract renegotiations (e.g., mail services).

Figure 2. Change in Structural Budgets and FTEs by Department Type, FY 12-20



Source: Office of Budget and Planning.
Includes donor financing.
Resources in area departments and functional CD (MCM) adjusted by about $14.5 million during FY12-16 due to a shift in payment of overseas allowances to central accounts that happened in FY17.
Support departments include TGS from FY12-16 (split into CSF and ITD starting in FY17), HRD, SEC, OBP, OIA, and, from FY15, ORM.

Figure 3. Change in Budgetary Resources by Output, FY 12-20[1/]
(Millions of FY 20 U.S. dollars)



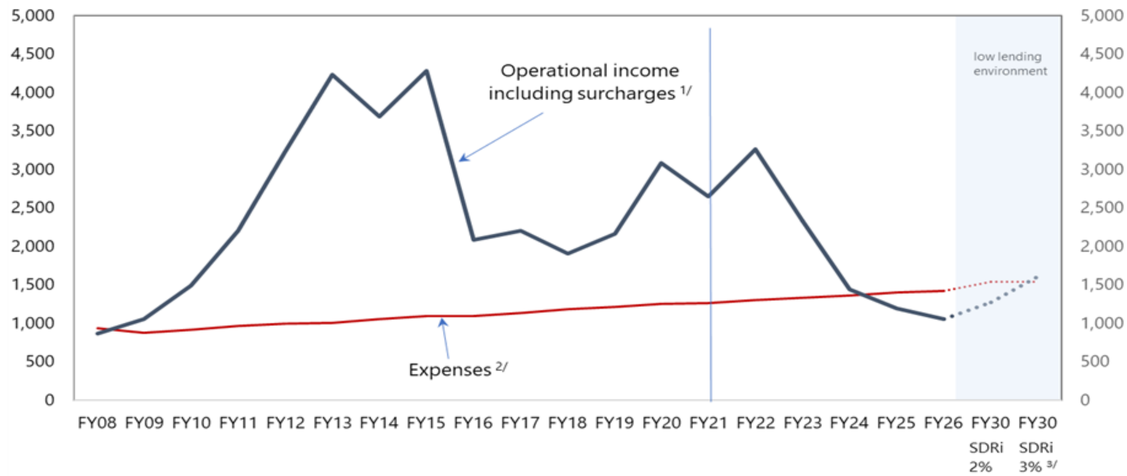
Source: Office of Budget and Planning, ACES.
1/ Excludes support and governance costs.

13. **Maintaining a flat real budget has supported the IMF's long-term financial sustainability.** Fund income has fluctuated, reflecting changes in the use of Fund resources. In FY 20, operational income remains well above administrative expenses. Looking ahead, a conservative scenario of low program engagement implies that the income position will not be a binding constraint in the medium term. The scenario in Figure 4, demonstrates how income would evolve based on scheduled disbursements (and lending income) related to current arrangements, but with no new arrangements as a conservative exercise to assess financial sustainability. In this

scenario, the fall in operational income reflects mainly the sharp rise and size of scheduled repurchases in coming years and the corresponding drop in average credit outstanding from about SDR 68 billion in FY 21 to SDR 33 billion by FY 24. In light of the ongoing uncertainties staff will update the income projections in the forthcoming *Review of the Fund's Income Position for FY 2020 and FY 2021-2022* paper, which will also provide additional information on the sensitivity of income to changes in program and interest rate assumptions.

Figure 4. Income and Expenses: Low-lending Scenario

(FY 08-FY 30, in millions of U.S. dollars)



Source: Finance department

1/ Operational income including surcharges excludes IAS 19 gains and losses, and includes investment income from the Fixed-Income Subaccount and payouts from the Endowment Subaccount. The endowment payout is indicative and assumes a constant payout of 1 percent of the NAV (in US$) starting in FY 2021, adjusted for inflation in the following years.

2/ Assumes that the net administrative budget is held constant in real terms.

3/ The illustrative scenarios in FY 2030 assumes SDR interest rate of 2 to 3 percent and payouts of 1 to 1.5 percent of the NAV, credit outstanding to be SDR 20 billion, precautionary balances at SDR 15 billion, and the premium on investment return equal to 50 basis points.

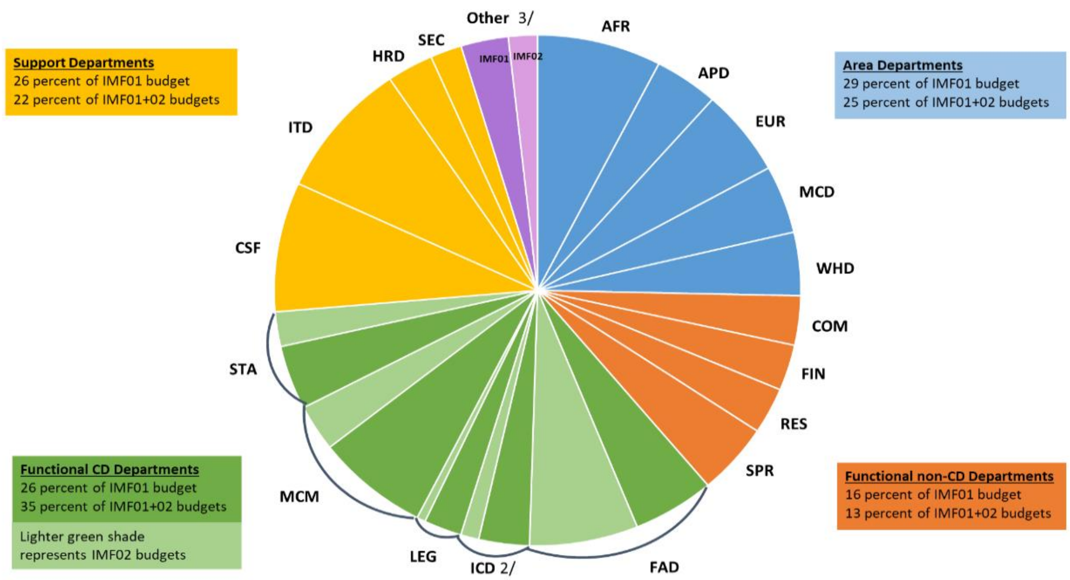
14. **Implementation of the FY 20 budget was broadly on track through end-February** (Appendix IV). Resource reallocation in FY 20 supported work on the enhanced governance framework and macro-financial surveillance, as well as support for key policy and analytical initiatives (i.e., trade, digital economy, public debt, and international taxation). Spending through the first half of the financial year relative to the same period last year suggests a shift from bilateral surveillance to lending, with program-related work intensifying in AFR and WHD. An increase in externally financed CD spending is also envisaged through strengthened utilization of available resources, within the approved gross limit. Activity on flagships is projected to increase, as is broader analytical work, partly driven by spending on fintech and cybersecurity related projects, as well as work on monetary and financial policy. Internal support spending is expected to be slightly higher than budgeted, driven by institutional change and modernization, including the now-completed Comprehensive Compensation and Benefits Review (CCBR). Spending on personnel, buildings, and other services is projected to be higher than budgeted but has been offset by a considerable underspend on travel.

15. **The ongoing Covid-19 outbreak will affect the FY 20 budget outturn.** Some cost reductions will result from the decision to hold the Fund-Bank Spring Meetings on a virtual basis and due to cancellation of staff travel, with a projected reduction in travel by some 500 missions

(Fund-financed) as of mid-March. These budgetary savings will be at least partially offset by a temporary increase in evacuation costs for field-based staff, intensification of Covid-19 related work, support for remote working, and an increase in resourcing for IT and broader institutional reforms. The baseline projection has shifted to suggest some underspend, though this remains uncertain. The full carry forward is expected to remain available for FY 21.

Figure 5. Distribution of Budgetary Resources by Department, FY 20[1/]

(in percent of total Fund- and donor financed budgets)



Source: Office of Budget and Planning.
1/ Departmental spending, including donor financed, as a share of total, excluding central resources, OED, and IEO.
2/ ICD also includes the Joint Vienna Institute and Singapore Training Institute.
3/ Includes for IMF01: Office and Budget and Planning, Office of Risk Management, overseas offices, Office of Internal Audit, Administrative Tribunal Office, Secretarial Support, Office for Asia and the Pacific, Office in Europe, the Ombudsman, the Mediator, Ethics, Grievance, Economic Data Team, Investment, HQ1 Task Force, Knowledge Management, Innovation Lab, and the Independent Investigator. For IMF02: some overseas offices and training institutes not included in ICD (see footnote 2).

16. **Area and functional departments account for about 80 percent of budgeted resources in FY 20, including externally financed funding** (Figure 5).[7] Area departments represent around 25 percent of the budgeted resources. The 35 percent share of functional CD departments (FAD, ICD, LEG, MCM, STA) reflects in part the growth of CD, which now accounts for about 40 percent of overall spending in these departments. In this context, external financing now accounts for a significant share of functional CD department budgets—e.g., 57 percent in FAD—and 16 percent of the total Fund budget. Non-CD functional departments (SPR, RES, FIN, COM) account for 16 percent of the Fund's budget. The four main support departments (CSF, HRD, ITD, SEC) represent about a quarter of budgeted resources.

[7] Excluding Offices of Executive Directors.

PROPOSED FY 21 ADMINISTRATIVE BUDGET

A. Priorities

17. **The FY 21 budget continues to redirect resources to meet the Fund's priorities, including the near-term exigencies related to the Covid-19 outbreak.** Some lower priority areas will be rephased, depending on the demands on the Fund to assist members with managing the evolving crisis.

- ***Country operations:*** The top priority is to support member countries as they work to manage the impact of the Covid-19 outbreak and the related economic and financial market turbulence, in particular, but not only, in countries with weak external, fiscal, and financial sector balance sheets. In addition, the Fund will continue its work to enhance resilience and address social and development challenges to secure sustainable and inclusive growth and employment. Priorities include fragile and conflict-affected states (FCS), the enhanced governance framework, and financial surveillance. A complementary prioritization exercise is undertaken for the Fund's CD operations (Box 3).
- ***Analytical and policy work:*** Continued focus on the global economic and financial impact of Covid-19. Increased recognition of the macroeconomic and macro-financial impact of climate change; fintech (including digital currencies), cybersecurity, and inequality; the impact of sustained low interest rates; trade; and development of an Integrated Policy Framework. Work in these areas will be supported through reallocation of departments' existing budgets, as well as new resources provided in the FY 21 budget.
- ***Key reviews planned for FY 21 include*:** data provision for surveillance purposes, delayed Article IVs, the Catastrophe and Containment and Relief Trust (CCRT), Debt Sustainability for Market Access Countries (MAC DSA), and debt limits. These reviews are primarily financed by reallocating resources from completed/near completed reviews (e.g. Comprehensive Surveillance Review, or CSR, conditionality) to new reviews.
- ***Modernizing the Fund:*** The CCBR, completed in December 2019, introduces reforms to ensure that the Fund's compensation and benefits package can attract, motivate, and retain a high-caliber international staff.[8] The reforms are expected to be broadly budget neutral in FY 21 (Appendix VII). Work on other large modernization projects will continue. Most of these projects are in early stages, with temporary costs in the short term but with significant savings expected in the medium term.

[8] The recommendations of the CCBR include more targeted measures to support competitiveness, which could include recruitment incentives for premium skills, higher pay increases at promotion, and programs aimed at enhancing recruitment of staff from under-represented regions. Additional investment in human capital development (such as technical and managerial training) and programs to facilitate mobility and rotation are also under consideration. Work is underway within HRD on these issues. Future budget reporting will set out proposals for these measures.

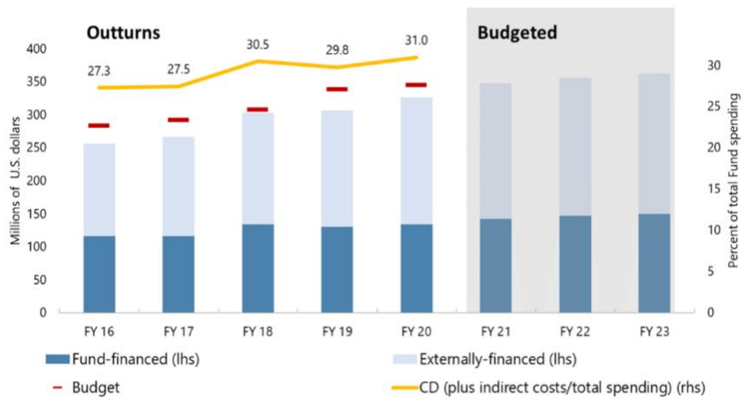
Box 3. CD Prioritization and Budgeting[1]

The framework for CD budgeting and prioritization continues to mature. Following the 2018 CD Strategy Review, it has been further strengthened and streamlined in the current cycle by developing high-level resource envelopes as part of the CD budget process. This framework will guide the more detailed resource allocation process and a separate discussion on fundraising implications.

The process has the following main features:

- The budget process **establishes total resources for CD**, including an envelope for externally financed activities and resources made available by CD departments within their Fund-financed budgets.
- In the fall, the CCB **reviews CD priorities and areas targeted for growth** for the coming three-year period; discusses indicative allocations to workstreams, regions and these "growth areas"; and sets the departmental spending limits on externally financed CD activities.

CD Spending, FY 16-23



Source: OBP FACTS data, Analytic Costing and Estimation System (outturns), and staff estimates based on medium-term resource allocation plan discussions (budgeted), as of December 2019.
Note: Fund-financed and externally financed spending, excluding support and governance (indirect costs).

- In the spring, the CCB **considers fundraising needs** to support implementation of agreed priorities and budgets.
- CD and Area Departments **agree detailed delivery plans**, in line with priorities. Resulting medium-term projections are discussed by Department Heads and approved by Management early in the financial year.

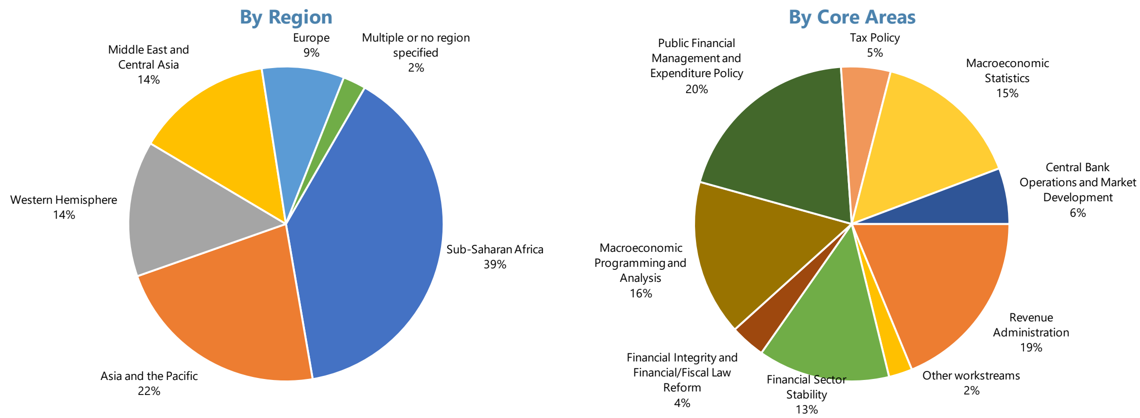
This annual cycle is to be underpinned by the implementation of CDMAP which is scheduled to go live during FY 21 and to complete roll-out during FY 22.

The prioritization framework ensures that the Fund delivers CD in its core areas of expertise. Thus, these areas will continue to represent the bulk of the Fund's CD spending. The indicative medium-term allocations discussed by the CCB, which integrate existing commitments, expected new country demands, as well as changing institutional and area department priorities, show some changes in delivery composition between FY 19-23. Notably:

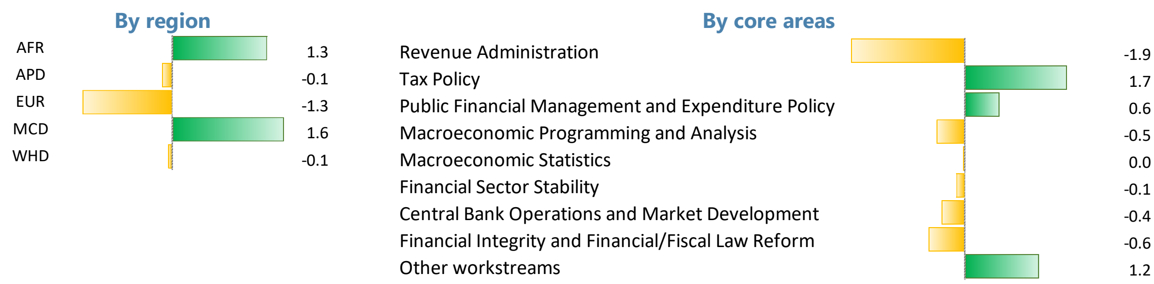
- In revenue mobilization, a shift from revenue administration towards tax policy.
- A shift in delivery to AFR and MCD countries, given the focus on low-income and fragile states.

Box 3. CD Prioritization and Budgeting (concluded)

Planned CD Spending, FY 23

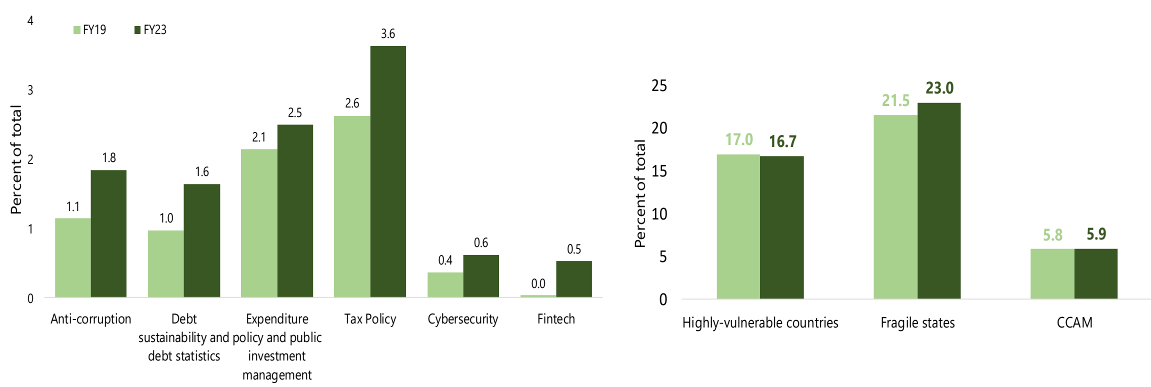


Change in Share of Direct CD Delivery, FY 19-23
(percentage points)



The fall 2019 CCB reviewed the set of narrower CD "growth areas" within these core areas where an increase in the share of CD over the medium term is being targeted. Almost all topical and country groupings areas are planned to grow over the medium term. The CCB also added climate change as a "growth area", reflecting its importance to members.

Planned Increase in Share of CD on "Growth Areas", FY 23



Source: Staff estimates based on ACES/TRACES (FY 19 outturn) and medium-term resource allocation plan discussions (FY 23 plan), as of December 2019.

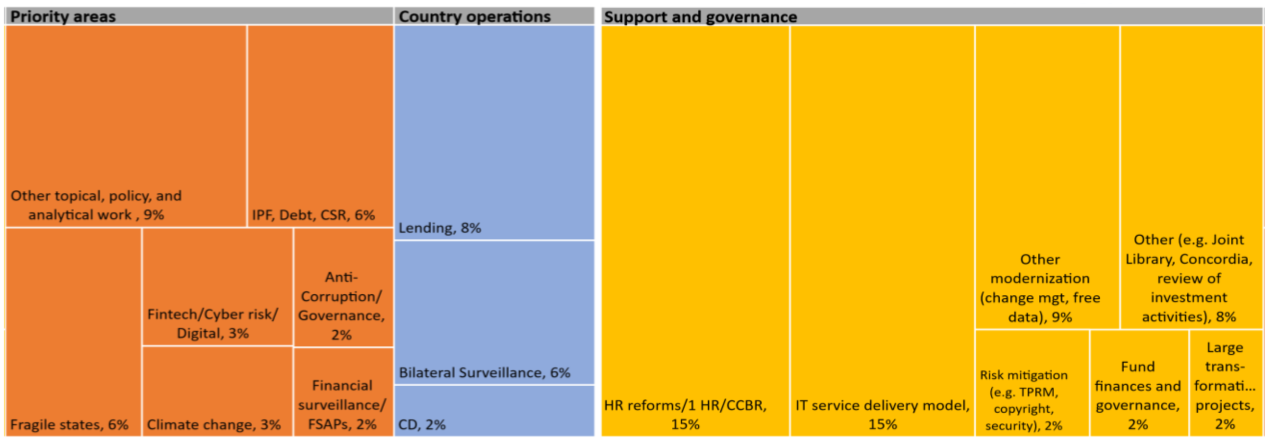
[1/] Prepared by ICD.

B. FY 21 is a Year of Transition

18. **The proposed baseline FY 21 net administrative budget is flat in real terms.** Gross new demands of $81.2 million (structural and transitional) would be funded through reallocating within and across departments, holding the travel budget constant in nominal terms (as has been done for the past six years), and other streamlining efforts. Transitional demands would be accommodated through a higher upfront allocation of carry forward resources, as well as other one-off central resources. At the same time, $5 million of the available carry forward for the general budget will be reserved.

Figure 6. Gross New Spending by Themes REVISED

(structural and transitional resources, $81.2 million)



Note: In some areas, there is a natural overlap across priority areas. e.g., the Fund looks at climate change as well as the financial sector in fragile states. In cases of overlap, the demand is allocated to the respective priority area.

19. **FY 21 can be characterized as a year of uncertainty and transition.** The uncertain impact of the Covid-19 related crisis will require a nimble response and close budget monitoring (Box 4). At the same time, resource costs of HR reforms, the ITD Service Delivery Model and large modernization projects entail large transitional costs in FY 21, accounting for some 53 percent of gross new spending. However, the associated structural savings from the HR reforms offset these costs on a net basis and have been allocated largely to new priority topics and country operations. Indeed, significant new spending is programmed for core activities to address direct needs of the membership. On the capital side, substantial investment is needed to support modernization projects in the short term, along with investment in the risk and information security infrastructure. Work continues to ensure that risk mitigation efforts are appropriately coordinated and resourced and that budget risks are also fully recognized.

Box 4. Impact of Covid-19 Outbreak on the Budget (NEW)

The budgetary impact of the Covid-19 outbreak in FY 21 remains difficult to forecast. Departments are redirecting resources within existing envelopes to address urgent needs arising from the crisis on the global economy and member countries, as well as operational impacts, such as increased reliance on remote work.

The Managing Director's Global Policy Agenda details the Fund's comprehensive response to the crisis, in collaboration with members and other partners. To date, functional departments have refocused resources on Covid-19 related analytical and policy work. SPR has taken the lead on macroeconomic and debt implications, as well as the policy response. RES is looking at global economic impacts, including effects on trade and global value chains, as well as low-income countries. MCM is focusing on the overall market impact, the appropriate supervisory response, and business continuity in financial institutions. FAD has initiated work on tax and expenditure policy and administration issues to help countries manage the Covid-19 impact. area departments, regional and country-specific analysis of the economic repercussions of the outbreak are underway, with emphasis on working with members to meet their needs. ORM and departments are updating and monitoring related risks, and support and service departments are rechanneling efforts to address operational and financial impacts of the crisis on the Fund.

The Fund has begun to receive requests for additional financial support. Following the Managing Director's statement regarding available financial support to Covid-19 affected countries, a significant number of member countries have expressed interest. Some of these cases would be augmentations of existing programs, and the remainder are requests for new, mainly short-term liquidity financing. Depending on the course of the crisis, more prolonged financing engagements may become necessary to assist member countries manage sustained fiscal, financial, and external fallout from the crisis.

Experience from past crisis periods demonstrates that resource implications will depend on the duration, severity and breadth of the crisis. Initially, new and substantial demands have been met through overtime of existing teams and temporary reallocation of staff. In the current case, for example, ICD is releasing economists with prior review experience to assist SPR with the expected increased review load for new programs. In country work, teams dealing with new program requests may receive support from other economists not involved in intensive surveillance or program engagements (as was the case in addressing the 2014-15 Ebola crisis in AFR and functional departments, when there was a temporary spike related to provision of emergency liquidity). Deferral of non-essential activities is also underway.

To the extent that resource needs are sustained, as was the case in the context of the global financial crisis, resources will need to be shifted to the new program cases and analytical/policy areas in a more structural manner. In this context, while there is significant variation, program countries on average have 2 additional full-time FTEs and, depending on the specific circumstances, direct part-time economist support from functional departments—mainly SPR, FAD, and MCM. Moreover, the Fund may need to set up a field presence and step up CD delivery related to core program needs. To the extent needs are broad-based, more forceful measures would be needed, including more significant delay of non-urgent work and, if other measures are exhausted, a call for additional resources. For CD, a sustained impact on travel could reduce delivery where virtual delivery is not feasible, potentially leading to lower-than-expected external financing of staff and reduced Trust Fund Management Fees. In sum, the current exceptional circumstances will require close, ongoing monitoring and agility in use of budgetary resources.

20. **The following three sections lay out details of the FY 21 savings and demand exercise**, which allowed for funding of baseline net new demands (net structural plus transitional) totaling about 4 percent of the Fund's administrative budget.[9] The first section considers allocation by priority area, the second by thematic category, and the third by department. As noted, this does not incorporate Covid-19 related effects.

C. Proposed Spending on Priority Areas

21. **Beyond the immediate crisis needs, the FY 21 administrative budget proposal provides resources to help fund the following priority areas (in gross terms, unless otherwise indicated** (Figure 7), reflecting, among other factors, the outcomes of recent policy reviews (Appendix VIII). The Board will have the opportunity to review proposals under the Comprehensive Surveillance and FSAP Reviews, including related costing, in summer 2020. The FY 21 budget provides additional funding for related issues (e.g., financial surveillance/FSAPs and climate change), with the outcome of these reviews to drive future budget allocations. For FY 21, key areas include:

- *Financial surveillance/Financial Sector Assessment Program (FSAPs):* $1.4 million, mainly to support related activities in MCM, addressing broadbased calls for more work in this area (including by the Independent Evaluation Office Report on Financial Surveillance, ongoing discussions on the FSAP Review, and the CSR). This amount also includes the recent ramp-up in funding for a monetary modeling unit in MCM. Current estimated direct spending on financial surveillance in functional departments is estimated at $47 million per year (average for FY 17-20, in FY 20 U.S. dollars). This does not include the significant financial surveillance work undertaken by area departments.[10] Within this estimate, *bilateral* financial surveillance (including FSAPs) is around $30-33 million per year. Fund-wide direct spending on FSAPs varies depending on countries assessed in a given year, but has ranged from $20-25 million during this same period. Separately, the Financial Sector Stability Review (FSSR), a donor-funded, CD instrument helps low and lower-middle income countries diagnose financial sector vulnerabilities and prioritize financial sector reforms.[11]

[9] This excludes external financing, except in Box 3 which discusses CD priorities and spending plans.

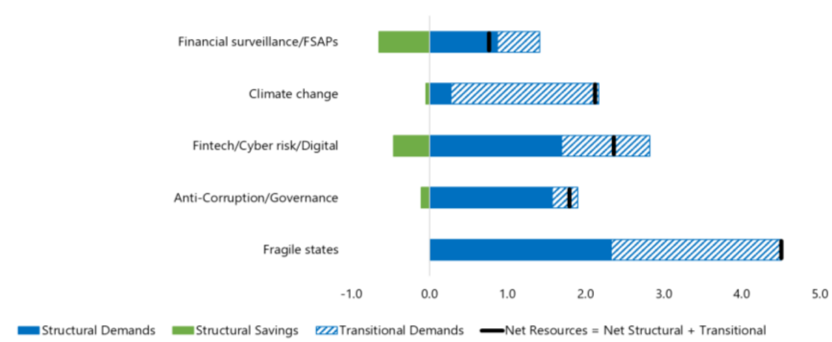
[10] Some examples of area department work in regional financial surveillance include: *Drivers of Cross-Border Banking in sub-Saharan Africa* (WP/19/146); *Macro-financial linkages in shallow markets* (AFR, DP/2018/12); *Building Resilient Banking Sectors in the Caucasus and Central Asia*, (DP/2018/8), *Report on the Pacific Roundtables: Actions to Address Correspondent Banking and Remittances Pressures* (DP/2019/6); *Macroprudential policies and house prices in Europe* (DP/2020/3). *Financial conditions and Growth at Risk in the ECCU*, (WP/19/247). Examples of ongoing projects include: *Financial Conditions Index for Europe*, *Foreign Currency Exposure and the Bank Lending Channel: Evidence from Emerging Europe.*

[11] Since the program was begun in 2019, 16 FSSRs have been launched, with five conducted in FY 20. Each diagnostic is complemented by a three-year follow-up plan. Spending on FSSRs has increased from $2.1 million in FY 19 to an expected $3.7 million in FY 21. Going forward, a larger proportion of the targeted $30 million in donor financing will be allocated to follow-up CD as more diagnostic missions are completed.

- *Fintech, cybersecurity, and digital economy*: $2.8 million to MCM, LEG, and SPR for analytical and policy work in these areas. Demand for the Fund to provide intellectual leadership, sound policy advice, and to organize opportunities for peer-to-peer learning in these areas has been growing strongly. Spending in these areas was estimated at $8 million in FY 19.
- *Climate change*: Climate work has ramped up significantly in recent years, and an extensive agenda is planned for FY 21 (Box 5). In this context, $2.2 million in additional resources are being provided to increase expertise to support country work (e.g. Climate Change Policy Assessments, CCPA), and analytical and Fund policy work in several functional departments (RES, FAD, MCM, and SPR).[12] CD departments are also planning to provide climate change CD to the membership using external financing e.g. to streamline climate change issues in macroeconomic and debt sustainability frameworks.
- *Anti-corruption/governance:* $1.9 million, mostly to SPR, LEG, FAD, and FIN to help support country teams and review work. The enhanced governance framework in place since FY 19 now covers all countries, such that resource needs are stabilizing and are being regularized as part of structural budgets. The steady-state cost of implementing the enhanced governance framework was estimated in FY 20 at around $6 million.
- *Fragile and conflict-affected states:* $4½ million, mostly to AFR, APD, and MCD to support country operations. About half these resources are provided on a transitional basis, reflecting a temporary ramp-up in engagement related to program work.[13] Spending on fragile states is estimated at $100 million per year, of which around half is CD delivery.

Figure 7. Proposed Spending in Selected Priority Areas, FY 21 REVISED

(Millions of FY 20 U.S. dollars)



Source: Office of Budget and Planning.

[12] A small amount (less than $50K) is also allocated to CSF to help assess the Fund's own climate footprint.

[13] Resources for anticipated program work (including for fragile states) are initially provided on a transitional basis and brought into the structural base subsequently as programs materialize, and as structural budget space becomes available from other identified savings.

22. **Other priority areas are addressed through internal reallocations, and resource implications from ongoing policy reviews remain to be determined.** Priority areas for which there were only small or no new resource requests through the institutional budget process—e.g., ongoing work on social protection and inequality, and sustained low interest rates, respectively—will be addressed by reallocating existing departmental resources.

Box 5. IMF's Work on Climate Change (REVISED)

Reflecting the growing recognition across the membership of the need to understand better the impact of climate change on the global economy, the IMF has begun significantly ramping up its work in this area. In FY 20 and 21, spending by departments is expected to increase significantly, reaching around $12 million each year, driven by both new resources and refocusing of existing resources on these issues (See ¶21).

61 country teams have covered these issues in FY 20 and analytic and policy work focused on these issues has expanded. For example, the Fund has proposed a carbon price floor arrangement to scale up mitigation among large emitting countries (*Fiscal Policies for Paris Climate Strategies—from Principle to Practice,* Policy Paper 19/010). In addition, significant new policy efforts are planned. The Fund will assess how climate change is priced in financial assets in the GFSR and support efforts to encourage the adoption of climate-related financial disclosures. WEO chapters are planned for October 2020 and April 2021.

On a bilateral basis, the Fund is providing policy advice on mitigation strategies, designing fiscal policies such as carbon taxes and emission trading systems, and planning to review Climate Change Policy Assessments (CCPAs, jointly with the World Bank). About one in five FSAPs have already included climate risk stress testing. On Fund policy, SPR, FAD, MCM, and RES are developing a strategy on how to systematically integrate climate change into bilateral surveillance (including in FSAPs). The Fund will also facilitate the global dialogue, including through the Fall WEO climate chapter ahead of the COP26, and by engaging in multilateral fora such as the Coalition of Finance Ministers for Climate Action, the Network for Greening the Financial System to develop methodologies for measuring climate risks to financial stability, and international standard setters to promote quality climate-related financial disclosures.

Spreadsheet tools to provide guidance on carbon pricing and other policy instruments for meeting countries' mitigation pledges for the Paris agreement, already routinely used in multilateral and bilateral surveillance reports, are being updated and expanded by FAD. STA, in cooperation with MCM, FAD and SPR, plan to develop a basic framework on climate change indicators and produce a dashboard including (i) carbons emissions and environmental damages, (ii) government expenditures for environmental policies, as well as taxes and subsidies and (iii) financing (Green bonds, carbon footprint of loans). The November 2020 IMF Statistical Forum will discuss international statistical efforts in this area.

FAD and ICD are also developing CD training curriculum and courses on climate change.

D. FY 21 Budget by Thematic Categories[14]

23. **Country operations are projected at $471 million in FY 20 and will receive $13.9 million in additional resources** (Figure 8)**.** New structural resources of $10½ million and transitional resources of $10 million will support enhanced engagement. The allocations for lending and field presence reflect the current outlook for Fund engagement (Box 6). Scaling up or making

[14] Appendix IX presents the proposal in more detail.

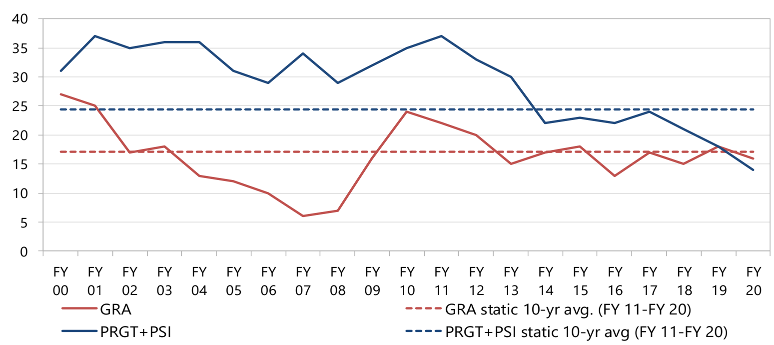
structural resident representative offices in countries with increased engagement and establishing (CCAM) is partly offset by $6½ million in savings from reprofiling and closing of existing posts.

24. **In FY 20, $253 million are expected to be spent on analytical work, multilateral surveillance and cooperation, and Fund policies, and the budget allocates another $8.3 million in these areas.** In gross terms, $17.7 million will go to fund additional work in: fintech, digital currencies, cybersecurity, the digital economy, work on the Integrated Policy Framework, implementation of the CSR, review of the enhanced governance framework, continued work on FCS, debt sustainability, AML/CFT, gender, inequality, social protection, arrears, and safeguards. These gross demands are partly offset by $9½ million in savings from the conclusion of major reviews (e.g. FSAP and PRGT eligibility).

Box 6. Outlook for Fund Engagement

The budget proposal provides resources for country teams in line with the anticipated intensity of FY 21 engagement prior to the Covid-19 related crisis. As of late 2019, departments expected the number of Fund programs (including non-financial arrangements such as PCI, PSI, or PPM) to increase relative to the current level (which is somewhat below long-term averages)—but to remain in line with the number of programs used when formulating the FY 20 resource allocation. Recognizing that demand for Fund programs is now expected to be higher, a first step will be to assess scope for reallocation of resources both within departments (e.g., from surveillance and analytical work to lending activities) and across departments. Larger resource needs could be met by in the short term by overtime, and also by drawing on the Fund's budget contingency (see further discussion in the section on budget risks). However, more sustained and broader needs, which have become more likely, may require further consideration of the adequacy of resources.

Fund Arrangements, FY 00-20[1/]
(Number of countries)



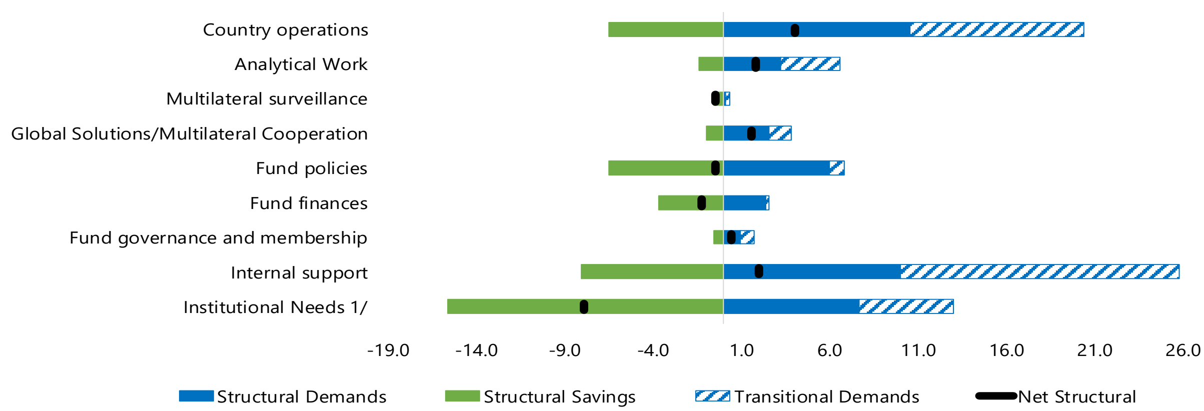
Source: MONA Database and staff calculations.
1/ Blend GRA/PRGT arrangements are included as PRGT. Based on number of arrangements at end of period. For FY 20, includes current arrangements as of January 13, 2020.

25. **Fund finances, governance, and internal support will receive $18 million in net additional resources on top of the $452 million projected in FY 20.** $13.4 million go to Fund finances and governance, including staff work related to IEO evaluations, third party risk management, copyright issues and to cover revenue losses from making the Fund's digital publications free of charge. In addition, $16½ million will go to transitional needs to support ITD's new service delivery model, change management, the new video wall, as well as revenue shortfalls in the Concordia and parking fees collection. Savings of $12 million, e.g., from the completion of policy work on the CCBR, will offset some of these new spending demands.

26. **Under the institutional needs category, $8 million in net structural savings are expected.** These arise from the CCBR, HR reorganization, holding the travel budget flat in nominal terms, and other streamlining efforts. At the same time, there are $5 million in transitional funding needs, mainly related to the shift to the new HR service delivery model.

Figure 8. Proposed Changes in Resources, by Thematic Categories, FY 21 REVISED

(Millions of FY 20 U.S. dollars)



Source: Office of Budget and Planning.
1/ Includes price adjustments in commercial data subscriptions, adjustments related to the CCBR and HR Reorg and savings from holding the travel budget constant.

Table 2. Gross Administrative Fund-Financed Resources: Estimated Allocation by Activity, FY 20-21 REVISED

(Millions of FY 20 U.S. dollars)

	FY 20				FY 21				
	Structural	Transitional	Total	Est. Outturn	Structural Demands	Structural Savings	Structural	Transitional	Total
	(a)	(b)	(c) = (a)+(b)		(d)	(e)	(f) = (a)+(d)-(e)	(g)	(h) = (f)+(g)
Gross Expenditures	**1,197**	**25.8**	**1,223**	**1,191**	**40.8**	**43.7**	**1,194**	**37.5**	**1,232**
Analytical Work	99	2.0	101	100	3.2	1.4	101	3.4	104
Multilateral surveillance	72	0.3	72	71	0.1	0.6	72	0.2	72
Country operations	466	10.4	477	471	10.3	6.5	470	9.9	480
Global Solutions/Multilateral Cooperation	44	1.2	45	45	2.6	1.0	46	1.3	47
Fund policies	35	1.0	36	36	6.0	6.5	35	0.8	35
Fund finances	29	0.5	29	29	2.4	3.6	27	0.2	28
Governance and membership	119	0.8	120	117	1.0	0.5	119	0.7	120
Internal support	295	9.7	305	307	7.5	8.1	295	15.7	310
Institutional Needs 1/					7.7	15.6	-8	5.3	-3
Miscellaneous 2/	24		24	15			24		24
Contingency 3/	15		15				15		15
Receipts	(39)		(39)	(34)	2.9		(36)		(36)
Net Expenditures	**1,158**		**1,184**	**1,158**	**43.7**	**43.7**	**1,158**		**1,196**
Carry forward			**47**						**48**
Total Available Resources			**1,205**						**1,206**

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES). Mapping based on staff estimates.
Note: Numbers may not add to totals due to rounding.
1/ Includes price adjustments in commercial data subscriptions, adjustments related to the CCBR and HR Reorg and savings from holding the travel budget constant.
2/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated within the ACES model.
3/ Includes the contingency for staff, OED, and IEO.

E. FY 21 Budget by Departments

27. **The proposed shift in resources across outputs is mirrored in shifts in departmental budgets.** On a structural basis, area and functional departments will see an increase, while support departments will remain flat. The overall net structural increase for departments is funded from savings from streamlining HR service delivery, holding the travel budget constant in nominal terms, and other streamlining efforts. Transitional resources will help departments meet short-term needs, including those arising from the transition to the new HR service delivery model. Key departmental highlights are summarized below and in Tables 3 and 4. The impact of the HR reforms is shown as central savings. The final FY 21-23 medium-term budget paper will show in detail how the savings from the HR reforms will translate into structural and temporary adjustments in individual departmental budgets.

28. **The budget provides for intensified country engagement in area departments, consistent with needs as of end-February. AFR** will receive structural and transitional resources to support work on programs and FCS, including the upsizing of the RR post in Ethiopia. ***APD*** will receive structural and transitional resources to finance intensified surveillance work and to support work on climate change and fragile and small states. ***EUR*** will continue its structural consolidation with the support of transitional resources; savings will accrue from the closure of the RR post in Greece. ***MCD*** will receive resources for increased engagement with vulnerable countries and analytical work, and field-based resources for CCAM and a local coordinator in Morocco to support preparation of the 2021 Annual Meetings. ***WHD*** will receive structural resources for RR posts previously funded on a transitional basis, and transitional funding for intensified surveillance and program work.

29. **Allocations to non-CD functional departments are in line with new policy and review work at that time. *FIN,*** which plans significant internal reallocation of its resources to meet new needs, will receive a small amount in transitional resources for the safeguards review and non-capital IT development on mandated policy. ***RES*** will receive structural resources to regularize financing for the Common Surveillance Database team and the Structural Reforms Unit, as well as transitional resources to support work on climate change. ***SPR*** will receive structural and transitional resources to support work on climate change, FCS, CSR, IPF, the Integrated Digital Workplace, and the G20 presidencies. ***COM*** will provide net savings from modernizing the Fund's publications and moving to free digital publications and will receive transitional resources for a secondment from the World Bank.

30. **The resource mix in functional CD departments is aligned with thematic and country groupings priorities. *FAD*** will receive transitional resources mainly for work on climate change, the Sustainable Development Goals, and enhanced governance framework. ***ICD*** will receive transitional resources to lead the CDMAP Project. ***LEG*** will receive structural and transitional resources for work on the enhanced governance framework and on fintech. ***MCM*** will receive significant structural and transitional resources, including for financial surveillance/FSAPs, cybersecurity, fintech (including digital currencies), the IPF, and the Monetary Policy Modelling Unit. ***STA*** will receive a small amount

in transitional resources to support the iDATA project and will initially fund work on climate change through internal reallocation of resources.

31. **Support departments (excluding HRD) will receive transitional resources for risk management and modernization efforts.** ***CSF*** will receive transitional resources to cover the new third-party risk management framework, enhanced capabilities in the Global Security Operations Center (GSOC), copyright issues, revenue shortfalls in Concordia and parking fees, and for work on the Fund's climate footprint. ***ITD*** will receive transitional resources to move towards an improved service delivery model based on managed-service providers. Moving to a new service delivery model will generate savings over time and help both contain the overall level of IT spending and direct it towards the key priorities.

32. **HRD will receive significant structural budget increase, reflecting the move of all HR functions from departments to HRD** (Appendix VII). The structural budgetary impact of this reform on each department, as well as resource needs during the transition to the new model are reflected in Tables 3 and 4.

Table 3. Budget Adjustments by Departments, FY 20-21 REVISED

(Millions of FY 20 U.S. dollars)

	FY 20 Approved Budget	FY 20 Transitional Funds 1/	FY 21 Proposed Adjustments: New Structural Spending	Structural Savings & Reallocations	Net Structural Increase (+)	Transitional Resources
Area	**303.3**	**7.2**	**7.4**	**5.1**	**2.2**	**8.3**
AFR	91.0	2.1	2.4	1.3	1.0	1.9
APD	44.3	0.8	0.9	0.6	0.4	1.2
EUR	67.6	2.9	0.7	1.7	(1.0)	2.1
MCD	52.5	0.2	1.1	1.0	0.2	1.8
WHD	47.8	1.2	2.2	0.5	1.7	1.3
Functional Non-CD	**163.0**	**4.0**	**13.7**	**12.0**	**1.7**	**4.1**
COM	38.4	0.1	-	0.7	(0.7)	0.3
FIN	35.6	0.5	4.2	4.2	0.0	0.6
RES	34.8	0.2	1.3	0.1	1.2	0.8
SPR	54.3	3.2	8.2	7.0	1.2	2.4
Functional CD	**260.3**	**4.8**	**5.5**	**2.8**	**2.7**	**4.9**
FAD	61.8	1.2	0.5	0.4	0.1	1.2
ICD	34.5	0.7	0.4	-	0.4	0.4
LEG	28.6	0.6	1.8	1.2	0.6	0.9
MCM	85.4	2.1	2.6	1.0	1.6	2.2
STA	50.0	0.3	0.3	0.3	-	0.3
Support	**280.2**	**8.8**	**4.9**	**4.7**	**0.3**	**10.6**
CSF	101.2	1.8	0.8	0.8	0.0	1.7
HRD 2/	35.0	5.0	-	-	-	-
ITD	106.7	1.0	3.2	3.2	-	8.8
OBP	5.2	-	0.3	0.3	-	-
OIA	5.2	-	-	-	-	-
ORM	3.0	0.2	0.4	0.4	-	0.1
SEC	23.9	0.8	0.3	-	0.3	-
Small offices 3/	**34.7**	**0.6**	**1.9**	**1.6**	**0.3**	**0.6**
Other (OED, IEO, Center) 4/	116.9	0.4	2.6	1.9	0.7	4.4
Total departments, offices, and other	**1,158.4**	**25.8**	**36.0**	**28.1**	**7.9**	**32.8**
1HR/HR reorganization and CCBR		-	7.7	11.9	(4.2)	4.7
Central Savings (est.) 5/				3.7	(3.7)	
Grand Total	**1,158.4**	**25.8**	**43.7**	**43.7**	**(0.0)**	**37.5**
Memorandum items						
Estimated available carry forward and other						55.5
of which:						
Departments & Center						32.3
OED 6/						15.1
IEO						0.3

Source: Office of Budget and Planning.

1/ Ex-ante, in line with FY 20-22 Medium-Term Budget paper; actual transfers may vary.

2/ Pre HR Reorganization.

3/ Includes the Offices of the Managing Director and Deputy Managing Directors, Innovation Lab, Knowledge Management, Office for Asia and the Pacific, Office in Europe, Overseas Trainining Offices, Economic Data Team, HQ1 Task Force, Mediator, Ethics Office, Office of Internal Investigation, Secretarial Support Group.

4/ Includes price adjustments in commercial data subscriptions, loss of revenue due to free data, and other small reallocations.

5/ Includes savings from holding the travel budget constant and OED's structural streamlining.

6/ Includes OED's central carry forward of estimated 4.7 million, proposed to be made available to the Fund's general budget.

Table 4. FTE Changes by Departments, FY 20-21 REVISED

(FTEs)

	FY 20	FY 21 Proposed Structural 1/			Transitional	
	Approved Budget	Structural Adjustments	Impact - New HR Model 2/	Total	FY 20 3/	FY 21 Proposed 4/
Area	**788.5**	**5.0**	**(14.2)**	**779.3**	**17.7**	**19.5**
AFR	225.7	3.0	(4.2)	224.5	5.0	5.8
APD	114.4	1.5	(2.5)	113.4	1.5	3.3
EUR	179.9	(3.0)	(2.5)	174.4	7.7	4.5
MCD	135.5	1.5	(2.5)	134.5	0.5	2.8
WHD	133.0	2.0	(2.5)	132.5	3.0	3.3
Functional Non-CD	**502.0**	**7.7**	**(11.2)**	**498.5**	**10.2**	**12.6**
COM	92.0	-	(2.0)	90.0	-	1.3
FIN	130.0	0.0	(3.5)	126.5	-	2.0
RES	110.0	4.0	(2.5)	111.5	1.0	2.3
SPR	170.0	3.7	(3.2)	170.5	9.2	7.1
Functional CD	**728.4**	**8.8**	**(12.0)**	**725.2**	**8.2**	**11.0**
FAD	161.7	1.3	(2.5)	160.5	2.7	1.3
ICD	124.0	-	(0.5)	123.5	0.5	1.3
LEG	84.2	2.0	(3.0)	83.2	2.0	2.0
MCM	221.6	5.5	(3.8)	223.3	3.0	6.5
STA	137.0	-	(2.2)	134.8	-	-
Support	**516.3**	**1.0**	**12.3**	**529.5**	**6.5**	**21.8**
CSF	162.7	-	(0.5)	162.2	-	1.3
HRD	91.0	-	19.0	110.0	6.0	20.3
ITD	152.6	1.0	(4.0)	149.6	-	0.3
OBP	16.0	-	(0.3)	15.8	-	-
OIA	16.0	-	-	16.0	-	-
ORM	10.0	-	-	10.0	-	-
SEC	68.0	-	(2.0)	66.0	0.5	-
Small offices	**70.3**	**(2.0)**	**(0.5)**	**67.8**	**1.0**	**1.3**
Other (incl. OED/IEO)	**272.4**	-	-	**272.4**	-	-
Total	**2,877.9**	**20.5**	**(25.7)**	**2,872.7**	**43.6**	**66.1**
				-		
Fund-financed Total	**2,877.9**	**20.5**	**(25.7)**	**2,872.7**	**43.6**	**66.1**
Donor financed	**91.2**	**...**	-	**93.0**	-	-
Grand Total	**2,969.1**	**20.5**	**(25.7)**	**2,965.7**	**43.6**	**66.1**

Source: Office of Budget and Planning.

1/ Figures may not add to total due to rounding.

2/ Reflecting HRD reorganization (gross FTE savings of 40 offset by 19 increase in the new HRD structure) and other savings derived from the 1HR project (FIN (1) and ITD (3.5)). Other savings in ITD are in steady state.

3/ Ex-ante, in line with FY 20-22 Medium-Term Budget paper; actual transfers may vary.

4/ Includes 26 transitional FTEs to bridge departments to the new HR structure.

CAPITAL BUDGET

A. Capital Investment Framework

33. **Recent changes in the investment landscape have prompted revisions to the Capital Investment Framework** (CIF). Details are set out in Appendix X and include the following key elements:

- Appropriation of annual capital needs rather than the total estimated costs of a project, while maintaining the 3-year lapsing rule. Information on total project costs and the medium-term capital plan would still be submitted alongside the budget request.
- Codifying the recent practice of seeking Board endorsement for large, transformational projects prior to implementation. This would require engagement to present *ex-ante* project justification, including a business case and cost-benefit analysis (CBA). Follow up engagement will take place as needed to provide progress updates.
- All other projects will be presented to the Board for approval as part of a portfolio during the annual budget process with improved reporting on numbers and types of projects and total estimated project costs.

Table 5. Medium-term Capital Budget, FY 20-23 REVISED
(Millions of U.S. Dollars)

	FY 20	FY 21	FY 21	FY 22	FY 23
	Approved	Projected in FY 20-22 MTB	Proposal	Projection	
Total	**85.8**	**96.0**	**98.7**	**87.9**	**91.9**
Building Facilities	**40.8**	**49.0**	**42.4**	**35.4**	**38.3**
of which:					
Lifecycle replacements and repairs 1/	15.5	31.7	32.5	23.8	20.7
of which:					
Furniture	4.1	10.4	13.6	2.6	…
Audio-Visual	4.7	5.7	6.5	5.9	6.0
HQ1	0.3	14.3	11.2	14.1	8.7
HQ2	…	…	…	…	2.7
New Investments	15.7	1.0	0.7	4.3	10.1
HQ Security	4.7	8.7	…	…	…
Information Technology	**45.0**	**47.0**	**56.3**	**52.4**	**53.6**
Key Modernization Projects (and pre-reqs) 2/	30.0	31.0	31.1	31.5	32.2
New Investments	9.0	6.0	15.4	10.5	8.6
Of which : Information Security	3.3	3.0	7.8	5.3	3.2
Infrastructure end-of-life 1/	5.6	10.0	9.9	10.6	12.9

Sources: Office of Budget and Planning, and departments for Corporate Services and Facilities and Information Technology.

Note: Figures have been recategorized to align with new defined groupings in the Capital Investment Framework. Totals may not add due to rounding.

1/ Long-term plans included in Appendix X.

2/ Projections for FY 22 - 23 are indicative at this stage and reflect continued focus on modernization.

Other proposed revisions to the CIF clarify roles and responsibilities, refine capital project taxonomy, strengthen the investment decision-making process and integrate risk and change management into the project governance structure.

B. FY 21 Capital Budget Proposal

34. **The capital budget proposal for FY 21 is $98.7 million**. It covers investment, maintenance, and improvements in the Fund's building facilities, information technology (IT) and other fixed assets. The proposed appropriation for FY 21 is in line with estimates in the FY 20–22 Medium-Term Budget (MTB), albeit with reductions in Facilities projects offset by higher needs in IT capital (Table 5). The presentation of the capital budget is in line with the new capital investment framework.

Facilities Capital

35. **The proposed FY 21 appropriation for facilities capital is $42.4 million, $7 million lower than the estimate used in the FY 20-22 MTB.** Most of the investment is needed to replace facilities and building systems which have reached end-of-life.

- $32 million, including to update furniture in HQ1 ($14 million), audio-visual life-cycle replacements ($6 million), and the start of a cycle of replacement of aging HQ1 building equipment and systems ($11 million). The HQ1 replacements (mainly air conditioning chillers and electrical substations) were not included in the HQ1 Renewal project because the original completion date of the renovation was well before the end-of-life of these systems.
- $11 million for smaller projects, including office renovations, staff moves, contingency funds, and the establishment of a planning reserve for the facilities portfolio of projects.
- A previously planned project to install bollards around the HQ1 building perimeter has been assessed as no longer needed. Following feasibility assessments and consultation with DC government authorities, it has been determined that the complexity and cost of the project outweigh the added security benefits. The current barriers provide adequate protection in line with U.S. Government standards and the Fund's security objectives.

36. **Projects to improve the headquarters buildings are expected over the medium term** (Appendix XI)**.** Current proposals include improvements to the visitor's entrances and the HQ1 auditorium (which will be restored to a large meeting space suitable for townhalls and spring and annual meeting events).

HQ1 Renewal

37. **The HQ1 Renewal project was substantially completed, as expected, in September 2019.** Construction was completed six months ahead of schedule and within budget with projected expenditures through April 2019 of $548 million against a budget of $563 million (see EBAP/19/110—HQ1 Renewal Project—Q2 FY 2020 Quarterly Progress Report). Important project close-out and transition activities remain. Lessons learned were documented in the Q2 FY 2020 Quarterly Progress Report.

IT Capital

38. **The proposed IT capital budget appropriation for FY 21 is $56.3 million, $10 million more than last year's estimate for FY 21**. Most of the budget will fund continued work on modernization projects and provide funding for other critical systems development and upgrades, such as the Fund's system for member lending activities which has reached end-of-life. The remaining proposed funding will provide resources for information security, and normal lifecycle replacements for IT infrastructure.

39. **The large modernization projects will account for roughly $31 million** (Box 7, Table 6)**.** The projects are at various stages: (i) 1HR and CDMAP are in the implementation phase, (ii) KM, which draws together a collection of targeted projects that will support the IDW, is starting work on its final and largest element (replacement of the document management system), and (iii) the Integrated Digital Workplace (IDW) and iDATA are conducting scoping and design work (see EBAP/20/17, *Key Transformation and Modernization Programs*, January 2020 Progress Report). Total estimated costs (where available), budget approvals to-date and expected spending through year-end are shown in Table 6.

Box 7. Key Modernization Projects

The Fund has embarked on a modernization agenda to upgrade internal operations to be more nimble and agile in the face of rapid geopolitical, technological, and demographic shifts, as well as evolving demands from our member countries. A key pillar of this modernization is a portfolio of key transformation programs to improve processes and upgrade aging platforms.

This includes the transformation of the HR system and operating model (1HR), reformed Capacity Development Management and Administration Processes (CDMAP), development of an Integrated Digital Workplace (IDW), a next generation economic data platform (iDATA), and knowledge management (KM) capital projects. The programs provide the opportunity to redesign and streamline work processes and practices to take advantage of automation and other productivity enhancements.

- **1HR** will modernize, simplify, and transform the way the Fund delivers its HR services, through streamlined business practices, best in class cloud software, and enhanced controls, providing flexibility to accommodate future policy, practice or regulatory changes (e.g., HR Strategy and CCBR, Appendix VII).
- **CDMAP** will transform CD operations, supporting more efficient and transparent implementation of the CD governance framework. It will address process and systems weaknesses, support better decision-making, and help strengthen the integration with surveillance and lending in line with the CD strategy.
- **IDW** will provide a modern user interface where staff have improved access to knowledge, applications, and other platforms to do their work. The goal is to address the pain points experienced from existing fragmented content, information silos, and obsolete technology.
- **KM** provides a framework for efficiently capturing, storing and sharing knowledge, thereby enabling staff to more easily draw lessons and insights from the Fund's rich cross-country experience and subject-matter expertise. This includes a new document management system and enterprise search systems, as well as underlying work on content classification.
- **iDATA** seeks to mitigate the operational risks stemming from the Fund's current aging data management platform. The project will deliver a modern economic data lifecycle management platform that can be further extended to meet the growing business needs for creating and maintaining databases for multilateral surveillance and economic research.

Table 6. Estimated IT Capital Needs for Key Modernization Projects

(Millions of U.S. dollars)

	Total Estimated Project Cost	FY 20 Approved in Previous Years (thru FY20)	FY 20 Estimated Spending at Year End	FY 20 Remaining estimated approved budget	FY 21 Additional Projected Needs 2/	FY 22-23 Additional Projected Needs 2/
Key Modernization + Prerequisites	**121.1**	**71.0**	**52.9**	**18.1**	**31.1**	**19.0**
Key Modernization	**105.7**	**58.4**	**43.8**	**14.6**	**28.3**	**19.0**
1HR	44.1	37.7	25.1	12.6	6.5	-
CDMAP	18.9	7.4	6.6	0.8	9.0	2.5
Knowledge Management	24.1	7.7	6.7	1.0	7.9	8.5
iData	13.7	1.7	1.6	0.1	4.0	8.0
Integrated Digital Workplace 1/	4.8	3.8	3.8	0.0	1.0	-
Prerequisites projects 3/	**15.4**	**12.6**	**9.1**	**3.5**	**2.8**	-

Note: Totals may not add due to rounding.
Source: IT Project Management Office
1/ IDW figures represent the scoping and design work. Project is still in early stages and estimates of total cost and projected needs are not yet available.
2/ Additional projected needs for FY 22-23 do not include projections for IDW which is still in scoping and design phase.
3/ Includes the Identity and Access Management system, Corporate Data Warehouse and cloud development platforms which support the modernization projects.

40. **The governance for key modernization projects allows for significant Board oversight**.

- As part of the established governance of the key modernization projects, 1HR and CDMAP have presented business cases and cost benefit analyses to their respective Steering Committees, the CBIT, and the Board as a requirement to proceed with implementation.[1]

- The KM capital projects replace an aging infrastructure (enterprise search and the document management system), provide an innovative tagging tool, and have delivered an upgrade to KE country pages.[2] All projects except Document Management are under implementation. The Document Management project team has prepared a robust business case and financial plan that has undergone CBIT review. Direct capturable savings have not been assigned to the project, but will be integrated into the iDW project, recognizing that the primary benefits of the specific KM objectives will be qualitative (better information accessibility) and risk mitigation. Staff are working to finalize the Document Management licensing and implementation contracts with the goal of starting implementation at the end of Q1 2020.

- The IDW and iDATA projects are scheduled to submit their proposals during FY 21. Funding in FY 21 will be conditional on development and presentation of a business case and CBA. Should IDW and iDATA get approval to begin implementation work in FY 21 as currently

[1] 1HR presented CBA in July 2019 as part of an informal Board briefing on the status of key modernization projects and CDMAP presented its CBA in October 2019.

[2] The Knowledge Management project strategy and updates were presented to the Board on March 16, 2018 and May 15, 2019.

scheduled and resequencing or adjusting existing budget space is not possible, a supplemental capital appropriation may be sought.

- Information security projects will have a total cost of almost $16 million, with about $8 million falling in FY 21. Of this, projects with the specific objective to protect the Crown Jewels are estimated at $10 million, of which about $4 million falls in FY 21. These projects are designed to bring the risk profile down to *moderate* as set out in the Information Security Strategy and Risk Mitigation Roadmap presented to the Board. Other security-related projects requesting new or additional funds in FY 21 include replacement and upgrade of the security events logging and monitoring system, cloud migration of the offsite business continuity center and other application controls. These projects are proposed as part of the information security roadmap (Box 8).
- IT infrastructure end-of-life replacements total $10 million for FY 21. In addition to funding upgrades of the remote office infrastructure, network equipment, servers and storage capacity, mobile devices and a portion of the personal computers will also be replaced in FY 21. Medium-term needs are estimated to remain at this level, mainly due to the personal computer refresh schedule. This aligns with the long-term plan for IT infrastructure, as detailed in Appendix XI.

Box 8. Information Security and the Medium-term Budget

The level of administrative budget resources devoted to Information Security in FY 20 is approximately $10 million. These resources fund (i) the activities of the Information Security Group in the IT department, which include Information security services for IT projects, Fund-wide security awareness program, security compliance program for financial systems, application security program, penetration testing, ongoing independent assurance of security control effectiveness, security risk metrics reporting, and security incident investigations; and (ii) Operational information security services, which include vulnerability management, identity and access management, privileged access management, endpoint security management tools for PCs and mobile devices, network and perimeter security, security monitoring, security event correlation, proactive threat detection and prevention, and security incident response.

Additionally, the capital budget request for FY 21 is $8 million, including $4 million for crown jewels protection projects and another $4 million for security incident monitoring, cloud migration of the business continuity center and other application controls. Capital investments have averaged about $4 million a year since FY 16. These investments were targeted at improving access management, remediation of vulnerabilities, identification of Crown Jewels, and upgrading the security and incident monitoring system.

Often, after the main objectives of the capital project are achieved, there is a recurring administrative expense to maintain the investment. The information security projects in progress or proposed in the medium-term information security roadmap are estimated to result in an administrative budget impact in the range of $4-5 million. An increase of this size, and the resulting administrative impacts from other capital investments, will require careful planning to accommodate under a flat budget constraint.

MEDIUM-TERM BUDGET PROSPECTS

41. **The Fund will need to reassess resourcing requirements as the full impact of the Covid-19 crisis are better understood.** New demands will need to be addressed, while the Fund continues to look for scope for efficiencies and reallocation to fund new priorities in the future. This will include finding space for some activities currently funded through transitional resources in the FY 21 budget that may need to become structural in future years (e.g., new field offices which are treated as transitional in the first year of operation). Moreover, some of the new initiatives in the FY 21 budget, such as work on climate change, will likely have to be ramped up further in coming years, while the Fund will need to maintain its agility to be able to respond to global emergencies such as the ongoing Covid-19 outbreak. Major policy reviews—including the to-be completed CSR and FSAP reviews, and forthcoming reviews (data provision) and IEO evaluations (e.g. capital flows, small states)—are likely to require a rebalancing and may imply an increase of resources over time for these activities.

42. **Pressures will also likely arise from changes in the way capital projects are structured.** Until recently, capital projects—not just at the Fund—implied an upfront investment that was then recouped over time. However, in particular for IT projects, there is a trend towards cloud-based solutions that are based on a subscription fee combined with a lower upfront investment. Conceptually, the subscription fee could be viewed as corresponding to the accrued depreciation in a traditional capital project. However, the Fund budget has so far not reflected depreciation.[3] As a result, all else equal, future capital budgets would be lower as upfront costs are reduced, but administrative needs will be higher given subscription costs. The Fund will need to consider the appropriate treatment of this change in the way capital projects are structured in its real flat budget framework.

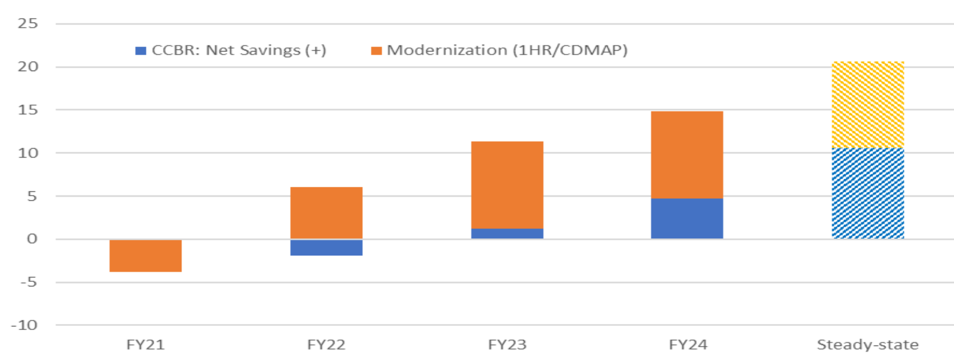
43. **Savings from modernization projects will create some budget space** (Figure 9)**.** CCBR savings are projected to accrue over time from the rationalization of some benefits and efficiency gains in managing human resource processes. The scheduled adjustment of the grossing-up formula for the staff retirement plan which the Board will discuss in the next financial year is also expected to generate savings as income tax rates are lower than those underlying the existing grossing-up formula. As these savings materialize, part of them can be used to bolster the Fund's competitiveness, for example through targeted measures to support recruitment of specialized skills and/or from underrepresented regions, higher salary increases at promotion to reward performance and support retention, and increased funding for training. Work is underway to elaborate a framework to support investment in such measures in future budgets. Other modernization projects have yet to develop their cost-benefit analysis and could also generate savings over the medium-term.

[3] Depreciation is reflected in the Fund's quarterly and annual financial statements.

44. **With full budget utilization and continued elevated transitional needs, it is increasingly likely that some of the existing carry forward will be used.** The next few years represent a transition period as modernization projects are being implemented, many with significant transitional costs. At the same time, the need for the Fund to take extraordinary measures to address the current crisis will call for an agile and timely response that may require use of these resources. Even though portions of the carry forward have been allocated upfront in past years, it has on aggregate remained intact. This is because drawdowns on carry forward resources in some departments have been offset by underspending in others. Going forward, with the full budget utilization we have seen for the past few years, it cannot be ruled out that the carry forward will be used over time, in particular, given that the carry forward will partly be needed to finance the transition costs of the large modernization projects and other short-term crisis response measures. If and when the carry forward has been used, transitional needs would have to be accommodated within the structural budget envelope. As such, a key consideration for allocating available carry forward balances is to protect against full utilization in a single year and avoid the sharp rebasing of expenditures that this would require in the next budget.

Figure 9. Medium-term Total Resource Savings[1/]

(Millions FY 20 U.S. dollars)



Source: HRD and OBP
1/ Takes into account transitional costs associated with the reforms.

RISKS TO THE BUDGET

45. **With the Covid-19 outbreak, risks to the budget have risen sharply.** With virtually full budget utilization and increases in the upfront allocation of the carry forward, the Fund's budgetary buffers have been reduced in recent years. The 2019 Risk Report assessed budget risks as moderate, but above tolerance, given diminished budgetary slack. The Covid-19 crisis has, however, increased uncertainty as the extent of demand for new Fund financing has yet to become clear, and the Fund's operations themselves have to be adjusted in response to the Covid-19 outbreak itself. This highlights the need for strong prioritization processes, and for close budget monitoring and controls. To that end, staff has improved risk analysis and worked on a systematic plan for managing budget risks.

46. **In staff's view, the key budget risks are** (Figure 10 and Box 9):

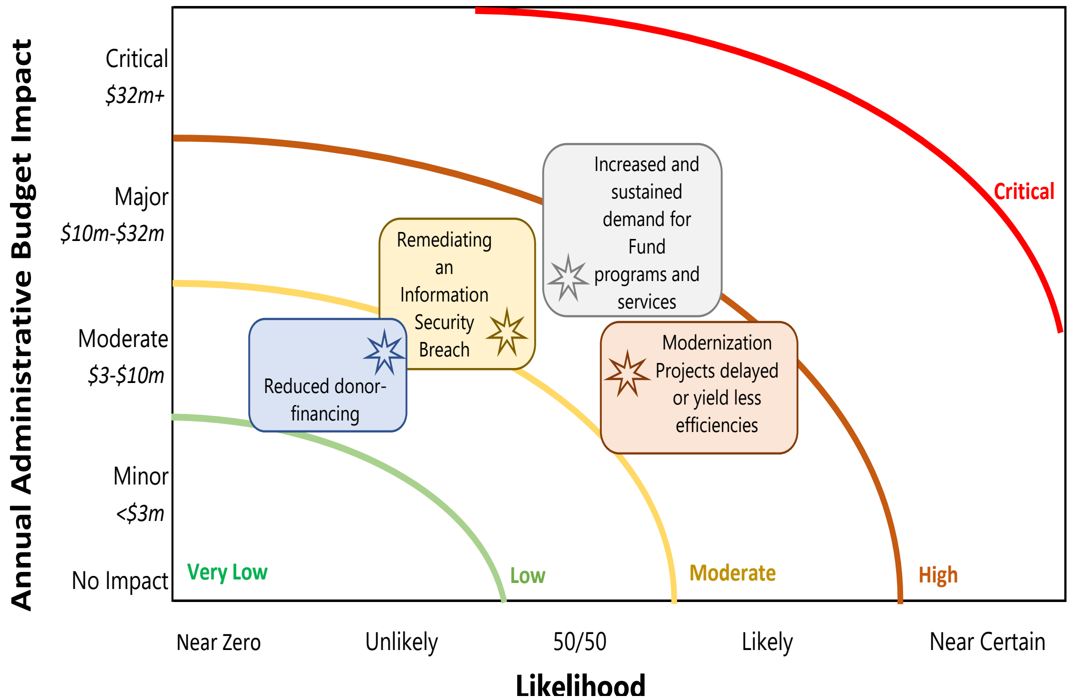
- *Covid-19*: As highlighted above and in Box 4, the outbreak is a rapidly evolving situation which makes quantification difficult. OBP will be working closely with departments to ensure regular review and monitoring of budget needs in the coming period.

- *Unanticipated large and sustained demands for Fund programs*. The 2019 Risk Report provided illustrative estimates of the budgetary impact of larger-than-expected demand for Fund programs, with additional resources potentially needed ranging from $9 to $23 million annually under downside scenarios of varying severity. These downside scenarios consider larger numbers of countries simultaneously entering into Fund-supported arrangements relative to the baseline, and the likelihood associated with these scenarios prior to the Covid-19 outbreak was assessed to be low but is now higher, and a scenario beyond the upper boundary also cannot be ruled out, in particular if the growing economic and financial dislocations rise further and/or become entrenched.

- *Information security risks.* An information security breach would trigger costs of investigation, development of new procedures, and the potential sourcing of alternative service providers. These costs correlate to a moderate budgetary impact. The Fund's Information Security Roadmap will reduce the Fund's risk profile to an acceptable level. However, as information security risks evolve and become more sophisticated, investment needs in this area will be periodically reassessed.

- Delays or not realizing efficiency gains in the modernization projects. The cost-benefit analysis for 1HR and CDMAP envisage savings of about $10 million. This compares to earlier preliminary estimates of about $12 million with the difference due to final realized savings for 1HR (see Appendix VII). For the other large modernization projects, cost-benefit analyses are forthcoming. A project delay could have a moderate impact because of the number of staff resources involved. Moreover, there are risks that the envisaged savings may not be realized in full. Robust mitigation measures are being incorporated including through rigorous planning, oversight from the Project Management Office and interdepartmental Steering Committees, as well as support from a dedicated Change Management function. At the same time, the modernization projects should result in a significant risk reduction for the Fund over the medium-term, for example of risks associated with outdated legacy systems requiring manual processes.

Figure 10. FY 21-23 Budget Risks: Impact and Likelihood REVISED



Source: Office of Budget and Planning.

Box 9. Classification of Impact of Risks and Mitigating Actions

- Minor Risks (<$3 million): Departments make internal reallocations and trade-offs. As a second line of defense, draw on Fund-wide contingency.
- Moderate Risks ($3–10 million): In addition to internal reallocation and contingency, some interdepartmental reallocations would be made. Departments would work to identify areas of under spending within the year to facilitate reallocation.
- Major Risks ($10–32 million): Should this level of risk materialize, the Fund would request that, in addition to seeking internal tradeoffs from departments, that departments deliver 2 percent of identified contingency measures for reallocation to the affected areas.
- Critical Risks (>$32 million): Risk events with an impact greater than the available carry forward resource pool would require a request to the Board for increased budgetary resources. Such a request would only be made if other efforts to manage budget impact prove insufficient

- *Donor financed activities*. The Fund has improved the management and oversight of donor resources in recent years, reducing the risks association with external funding. Nonetheless, the scale of donor funding poses inherent risks. This budget risk is mitigated by the Fund's up-front financing model for new initiatives, and the nature of externally financed activities. A large proportion of these funds finance contractual experts whose activities can be readily scaled back. Staff considers this type of donor-financing risks to be low. However, a sustained low-travel environment due to the Covid-19 outbreak could reduce delivery of externally financed CD depending upon the degree to which virtual delivery is feasible. The lower activity could impact the Fund's budget, as set out in Box 4, and services to member countries. The Fund will consult with external partners as the situation evolves.

47. **There are other risk factors that, while present, are considered to have either low probability or a very limited impact.**

- *Price factors*. The impact of oil prices on travel costs and of increases in subscription prices on commercial data costs remain risks which staff deem to have a more minor impact. As such, the risks have been excluded from the impact/likelihood chart.

- *Risks to the Fund's income position*. Within the medium-term budget horizon, a significant reduction to the Fund's income, exerting pressure on the institution's administrative budget is considered improbable, as highlighted above. However, in a lower-for-longer environment, and assuming non-repayment by large debtors and/or limited uptake of new GRA programs, pressures could arise. These risks are carefully monitored, and a conservative approach to projecting income mitigates these risks and potentially provides lead time to put in place offsetting measures.

- *Risks arising from the Fund's compensation mechanism*: The CCBR has adopted the U.S. CPI as the Fund's external deflator. It is conceivable that wage increases in the Fund's comparator markets exceed the deflator and the space from wage erosion (Appendix II). This would imply real cuts in non-personnel spending. Funding modalities would be discussed by the Board as part of the budget proposal, consistent with the new compensation framework.

48. **The FY 21-23 budget process enhances the use of risk-based tools as a means of reducing budget risks.**

- *Tracking of funding for key risk mitigation efforts*. Beginning in FY 21, OBP has collated the funding requests submitted by departments which relate to risk mitigation efforts identified in the Risk Report. In the coming year, risk mitigation areas which received incremental funding include work on Core Risk Areas, Key Modernization Projects, improvements to Third Party Risk Management, and changes made to ensure that the benefits of the HR and CCBR reforms were captured.

- *Risk-based assessment of country needs.* Efforts continue to incorporate country-level risk assessments into the budget planning process, particularly a country's vulnerability and the potential impact on Fund engagement.
- *Improvements to the Capital Investment Framework.* Appendix X describes staff's proposed enhanced capital investment framework, which will support strengthened management of associated risks, including those related to modernization of the Fund's systems.

Risk Preparedness Matrix (FY 21)

Risk Identified	Driver	Impact Assessment	Mitigation and Management
Unforeseen large demand for Fund programs and other services	Staffing is inadequate for new level of country engagement	Budget and work pressures increase to meet the needs of membership	Initial response: internal reallocation, increased overtime, secondary response: use of contingencies. As last resort, increased funding.
Some portion of donor funding for Capacity Development discontinued	Rollover risk is inherent to donor financing. Overall risk considered low likelihood, low impact	Pressures on CD delivery in short-term, difficulty prioritizing	Planning of fundraising activities and alignment with Fund priorities via the CCB. Absorb costs via reallocation, adjust CD delivery over medium term.
Modernization projects do not yield efficiencies, or, take longer to implement than expected	Fund has insufficient capacity for change management	Resources diverted to implement major projects, lack of realized savings constrain core services	Robust individual project management and governance; establishment of a Change Management unit, ongoing monitoring of business cases and implementation timelines by a corporate Project Management Office.

SUMMARY PROPOSAL FOR FY 21 (NEW)

Within the total administrative appropriations, separate appropriations and expenditure ceilings are proposed for the Offices of the Executive Directors (OED), the Independent Evaluation Office (IEO), and other administrative expenditure in the Fund (Table 7). The capital budget is made up of two components: building facilities and information technology.

Table 7. Proposed Appropriations, FY 21

(Millions of U.S. dollars, unless otherwise noted)

	Other		OED	IEO	Total
Net administrative budget	1,104.7		74.7	6.7	1,186.2
Receipts	241.3		1.4	0.0	242.7
FY 21 carry forward (upper limit) 1/	32.3	2/	15.1	0.3	47.7
Total gross expenditures (limit)	1,378.4		91.2	7.0	1,476.6
Capital budget					98.7
Information Technology					56.3
Building facilities					42.4
Memorandum items:					
FY 20 Net administrative budget	1,076.6		75.3	6.4	1,158.4
Carry forward, upper limit (in percent)	3.0		20.0	5.0	n.a.

Source: Office of Budget and Planning.

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

1/ The actual amount that can be carried forward is the lesser amount of the underspend in the current year or the specified ratio (shown in the table) of the current year's net administrative budget.

2/ Available carry forward to increase by an estimated $4.7 million from OED central carry forward. Precise amount will be determined when end-year financial books are closed.

Proposed Decisions (NEW)

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision No. 1: Administrative Budget for the Fund, FY 2021

A. Appropriations for net administrative expenditures for Financial Year 2021 are approved in the total amount of US$1,186.2 million, of which: (a) up to US$74.7 million may be used for the administrative expenditures of the Offices of Executive Directors, (b) up to US$6.7 million may be used for the administrative expenditures of the Independent Evaluation Office, and (c) up to US$1,104.7 million may be used for the other administrative expenditures of the Fund.

B. In addition to the amounts for net administrative expenditures appropriated under paragraph A, amounts appropriated for net administrative expenditures for Financial Year 2020 that have not been spent by April 30, 2020 are authorized to be carried forward and used for administrative expenditures in Financial Year 2021 in a total amount of up to US$47.7 million, with sub limits of (a) US$15.1 million for the Offices of Executive Directors, (b) US$0.3 million for the Independent Evaluation Office, and (c) US$32.3 million for the other administrative expenditures of the Fund.

C. A limit on gross administrative expenditures in Financial Year 2021 is approved in the total amount of US$1,476.6 million, with sub limits of (a) US$91.2 million for the administrative expenditures of the Offices of Executive Directors, (b) US$7.0 million for the administrative expenditures of the Independent Evaluation Office, and (c) US$1,378.4 million for the other administrative expenditures of the Fund.

D. The appropriations for "other administrative expenditures of the Fund" and the "limit on gross administrative expenditures" for FY 21 set out in paragraphs A and C above will be increased by the amount of the OED FY 20 central carry forward as determined in the FY 20 year-end closure of the Fund's financial books.

Decision No 2: Capital Investment Framework

The key elements of the Fund's updated *Capital Investment Framework* are approved as set out in paragraph 1 of Appendix X.

Decision No 3: Capital Budget Appropriations for Financial Year 2021

Appropriations for capital projects underway or beginning in Financial Year 2021 are approved in the total amount of US$98.7 million and are applied to the following project categories:

(i) Information Technology: US$56.3 million

(ii) Building Facilities: US$42.4 million

Appendix I. Key Budget Concepts

***Financial year* (t)**: **May 1(t-1) to April 30(t)**
E.g., FY 21 = May 1, 2020 to April 30, 2021

Administrative budget:
Gross (total spending envelope)
- (minus)
Receipts (donor funding + revenue)
=
Net (spending that needs funding)

Total Available Resources = **Net** + **Carry Forward**

Carry forward:
The right to spend budget allocations beyond the period for which budgetary authority is normally granted (12 months). The amount that can be carried forward (CF) in any given financial year is capped at 3 percent of the net administrative budget for staff, 5 percent for IEO, and 20 percent for OED. The CF can be the minimum of the underspend in the current year or the specified ratio (i.e. x = 3, 5, or 20%) of the current year's approved net administrative budget. Specifically:

$$\mathbf{CF_t = min\ (U_t,\ \mathit{x}\ B_t)}$$

Where:
U_t = underspend in current FY ($B_t + CF_{t-1} - E_t$)
B_t = net administrative budget in current FY
CF_{t-1} = carry forward from previous FY
E_t = net expenditures in current FY
x = ratio limit of CF

Global external deflator:
Starting in FY 21, the global external deflator will be the U.S. CPI projection as published in the most recent WEO.

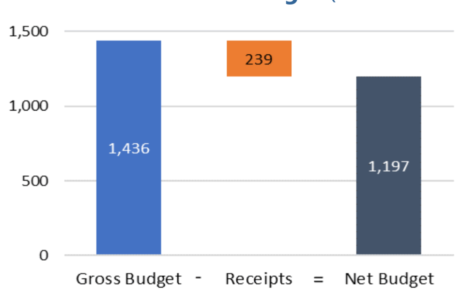
Previously, global external deflator was calculated based on two components:

- Personnel component (70 percent)—Board approved structure adjustment for Fund salaries. It is determined exogenously as the outcome of the Fund's rules-based compensation system endorsed by the Board.
- Non-personnel component (30 percent)—based on an index that reflects most closely the Fund's non-staff related costs (travel, facilities, and IT). This is measured by the projected U.S. CPI in the most recently published World Economic Outlook (WEO).

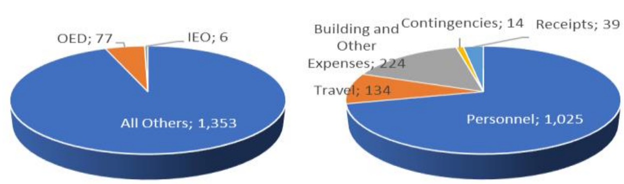
Capital budget:
Used to finance investments in information technology and building improvements and repairs. Given the long-term nature of these projects, capital budgets are available for a period of three years, after which time unspent appropriations lapse.

A project is included in the capital budget if it is for:
- the acquisition of building or IT equipment;
- construction, major renovation, or repairs;
- major IT software development or infrastructure projects.

FY 20 Administrative Budget (Millions USD)



Composition of Gross Spending, FY 20 (Millions USD)
(Including donor financed capacity development)



Source: Office of Budget and Planning

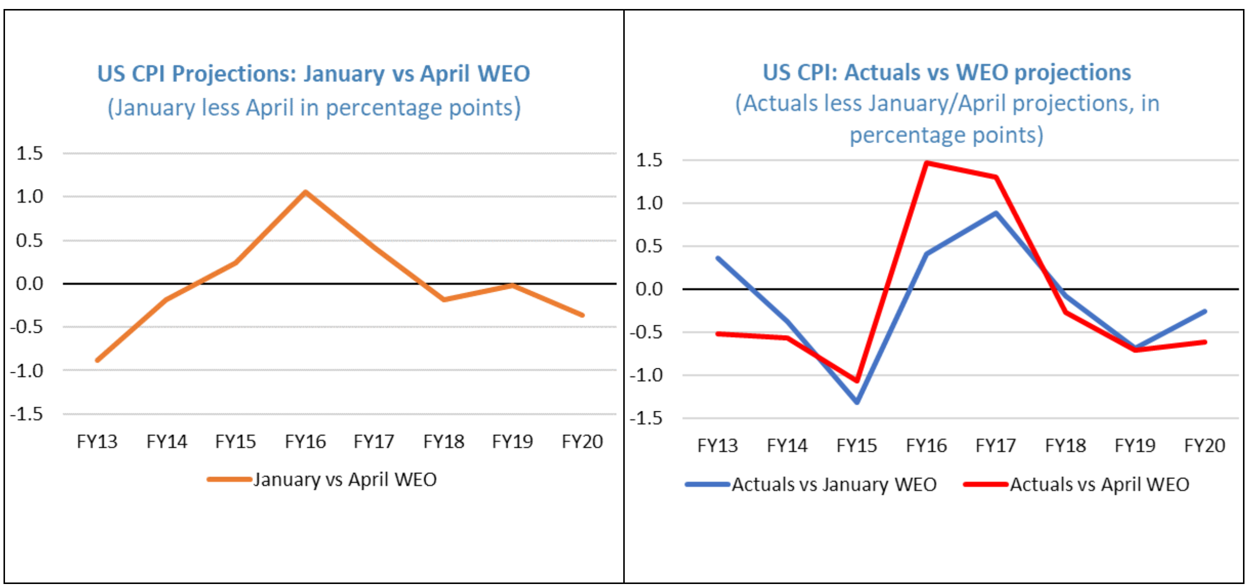
Appendix II. Revision of the Global External Deflator (REVISED)

1. As part of the reforms adopted under the CCBR, the Fund's Global External Deflator (GED) has been modified and will now equal the projected U.S. CPI inflation as published in the most recent World Economic Outlook (WEO). Previously, the GED was set as the weighted average of the structural salary increase (70 percent) and projected U.S. CPI inflation (30 percent). As such, the CPI will have a much bigger impact on the nominal budget than it has historically.

2. Recognizing this greater impact and the need for predictability in budget planning and prioritization, staff will utilize the U.S. CPI inflation forecast underlying the January WEO Update (instead of the April WEO figure used under the old methodology) as the operational deflator for the Fund's budget process going forward. This recognizes that CPI forecast revisions late in the budget cycle, as are possible with use of the April WEO figure, could require potentially significant revisions to the budget, even after the budget paper has been issued to the Board for approval, severely complicating planning.

3. Historically, the January and April projection have differed in some years, but over time, these differences have evened out. The January and April projections also have a similar degree of forecast accuracy.

4. If forecast errors are one-sided for a prolonged period of time, the actual budget could diverge from the flat real concept, as forecast errors compound. This is independent of which CPI forecast—January or April—is used in the budget process. Staff will report in the annual budget outturn paper the inflation forecast errors from previous budgets and their cumulative impact, if any, on the budget envelope.



Appendix III. Assumptions Underlying the FY 21 Budget (NEW)

The proposed FY 21 Budget has been formulated on some key assumptions reflected in the distribution of spending by major budget category (Table 1 and text tables).

1. **Salaries:** The proposal reflects the CCBR reforms (Appendix VII) including the change in the compensation methodology to a single salary increase for staff, as well as additional costs of about $1.1 million related to long-term contractual employees receiving the same single salary increase as staff. For FY 21, the proposed structure adjustment in the pay scale of 2.7 percent has been reflected in the personnel budget.[1] The single salary increase of 3.6 percent is funded by U.S.CPI inflation (the new budget deflator) plus space available from wage erosion. For FY 21 the space remaining after funding the single salary increase is in line with earlier estimates of $4½ million. To maintain budget neutrality in FY 21, no net additional savings from wage erosion are available beyond those already incorporated into the budget proposal. Once the net impact of the CCBR reforms becomes positive (projected in FY 23), additional savings will be available to fund other priority needs as outlined in the CCBR decision.

2. **Staff Retirement Plan (SRP):** The proposed contribution for FY 21 from the administrative budget to the SRP is 14 percent of estimated pensionable gross remuneration (PGR)—a rate consistent with the funding framework approved by the Executive Board in 2004 and reaffirmed by the Pension Committee, most recently in January 2016.[2] For FY 21, In line with the proposal by the Pension Committee, 13.06 percent of PGR will go to the SRP as indicated by the actuary, and 0.94 percent of PGR will be added to the pension reserve.[3]

3. **Retired Staff Benefits Investment Account (RSBIA):** The proposed FY 21 contribution from the administrative budget to the RSBIA is 7 percent of estimated PGR, or about $59 million. The 7 percent contribution rate is consistent with the funding framework approved by the Executive Board in 2012 and reaffirmed by the Pension Committee in January 2016 (footnote 2).

[1] See *2020 Review of Staff Compensation* (EBAP/20/28).

[2] See *Staff Retirement Plan and Retired Staff Benefits Investment Account–Five Year Review of Actuarial Assumptions and Methods, Funding Frameworks and Grossing-Up Formulas*, (RP/CP/16/1, 1/29/16).

[3] See *Fund Contribution to the Staff Retirement Plan in FY 2021* (forthcoming).

4. **Medical Benefits Plan (MBP):** Since the MBP reforms in 2008, contributions to the MBP have typically been indexed to the structural change in the pay scale. In light of accumulating reserves, in FY 16 and FY 17 the MBP premiums were held constant, and in FY 18, premiums were reduced by 7 percent. In FY 19 and FY 20, premium contribution rates were adjusted in line with the structure salary increase. For FY 21, MBP contribution rates are proposed to be adjusted in line with the proposed single salary increase.[4]

FY 21 Preliminary Personnel Spending 1/

(Millions of U.S. dollars)

Budget Category	FY 21
Personnel budget	1,055
Salaries	659
Staff, OED, and IEO	519
Other personnel	140
Other personnel budget	396
Retirement benefits 2/	120
Retired Staff Benefit Investment Account (RSBIA)	58
Health benefits	46
Tax allowances	42
Home leave	33
Children's education allowances	34
Child Care	4
Overseas allowances	24
Training and study allowances	12
Spouse and child allowances	7
Other benefits 3/	11
Other misc. personnel budget 4/	5

Source: Office of Budget & Planning.

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

1/ Includes donor financing. Composition of budget line items pending finalization of donor-funded activities. Excludes spending funded from transitional resources.

2/ Includes the Staff Retirement Plan (SRP) and 401K retirement accounts.

3/ Includes spouse point and emergency travel, life insurance benefits, settlement allowances, and SBF separation incentives.

4/ Includes payments to non-Fund staff such as ICD participants, and other miscellaneous expenses.

5. **Expatriate benefits**: Airfares associated with home leave travel are expected to align with industry forecasts as adopted by the Transportation unit (CSF). Children's education allowances are expected to rise in line with CPI.

6. **Travel costs**: Based on the latest industry forecast, airfare increases are projected to be minimal across most key routes from North America. However, airlines have suspended flights to some regions due to health concerns, which may not affect prices in the near future, but may in the long run increase the airfares to recoup losses. Moreover, fares to South America are estimated to fall by 1 percent, as political volatility impacts business and trade activity.

[4] *Medical Benefits Plan (forthcoming)*. In FY 22, the MBP reserve is expected to reach the targeted reserve level set in the 2017 MBP review. Future adjustments to premium contribution rates may need to be set to more closely reflect actual MBP plan costs which have been increasing at an average annual rate of 5 to 6 percent per year.

7. **Other costs:** Other expenses are assumed to rise in line with the U.S. CPI. However, some expenses may rise by more than the U.S. CPI and need to be accommodated within the overall budget envelope.

8. **Standard cost by grade** (Text Table): Taken as a whole, salary and benefits combined give an indicative standard cost for each staff member (or "person year" cost). FY 21 standard cost rates are based on the 2020 midpoints as proposed to the Executive Board in the *2020 Review of Staff Compensation*, and adjusted for an assumption that benefits are spread equally across staff and grades.[1] This methodology protects privacy of individual staff and also prevents departmental hiring decisions made on the basis of individual demographics (such as age, family status, or nationality).

Preliminary Standard Cost by Grade, FY 21

(in U.S. dollars)

Grade	Standard Cost
B05	629,860
B04	546,890
B03	491,470
B02	443,170
B01	385,360
A15	385,360
A14	335,090
A13	281,590
A12	244,860
A11	212,920
A10	185,140
A09	161,000
A08	153,280
A07	136,850
A06	122,190
A05	109,090
A04	97,410
A03	86,980
A02	77,680
A01	69,420

Sources: Office of Budget and Planning and Human Resources Department.

Table 1. Preliminary Administrative Budget Envelopes, Breakdown by Major Expense Category, FY 21

(Millions of U.S. dollars, unless otherwise noted)

	Fund financed			Externally financed
	Structural Budget	Transitional resources 1/	Total	Budget
Net administrative budget (in FY 20 U.S. dollars)	1,158		1,158	...
Net administrative budget (in nominal terms) 2/	1,186		1,224	0
Gross administrative budget	1,223	38	1,261	206
Personnel	919	20	939	136
Travel	81	1	82	52
Buildings and other expenses	211	16	227	18
Contingency 3/	12		12	...
Receipts	-37		-37	-206
Carry forward (upper limit)	48		10	...
Total net available resources	1,234		1,234	...

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.
1/ In part funded by one-off legal reimbursement.
2/ The deflator is applied to the administrative budget (formulated in real terms) to obtain the nominal budget. For calculation of deflator see Appendix I.
3/ Includes the contingencies for staff, OED, and IEO.

[1] *Changing the Personnel Standard Cost* (EB/CB/08/5, 11/26/2008).

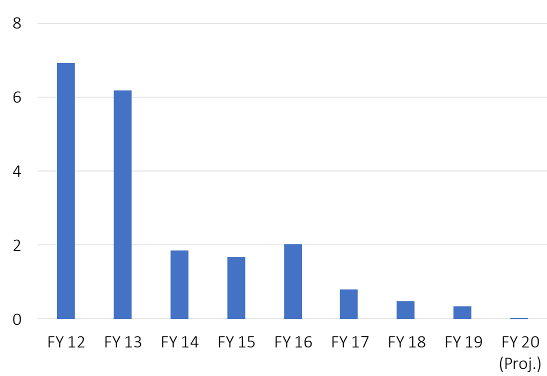
Appendix IV. Projected FY 20 Outturn (REVISED)

End-February projections assumed the FY 20 structural budget was fully utilized, with the carry forward intact and available for short-term needs in FY 21. As highlighted in paragraph 15 of the main report, this assumption is subject to significant uncertainty given the evolving circumstances related to the net impact of the Covid-19 outbreak impact on spending. Data in this Appendix reflects the status as of mid-February and does not project possible shifts between the main expense categories of personnel, travel, and building and other expenses, that could occur due to the above circumstances.

Budget utilization has steadily improved, supported by increased upfront allocation of carry-forward resources to departments in recent years. Better budget utilization has also contributed to improvements in workload indicators.

Net Underspend, FY 12-20

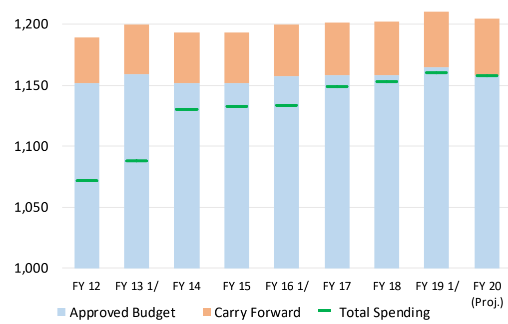
(Percent of budget)



Source: Office and Budget and Planning.
Note: Excludes additional contributions to the RSBIA in FY 12, FY 13, FY 16 and FY 17.

Budget and Carry Forward, FY 12-20

(Millions of U.S. dollars)



Source: Office of Budget and Planning.
Note: Excludes additional contributions to the RSBIA in FY 12, FY 13, FY 16, and FY 17.
1/ Includes travel to Annual Meetings abroad.

A. Spending by Activity

1. **The FY 20 budget provided increased resources for country work, Fund policies and internal support.** Set within a flat structural budget and an upfront allocation of $25 million in transitional funding, the budget aimed to increased country engagement with the membership, including on the enhanced governance framework and macro-financial surveillance, as well as support the various policy and analytical initiatives throughout the Fund (e.g. trade, digital economy, public debt, international taxation). Resources were also provided to carry out the Comprehensive Compensation and Benefit Review (CCBR) and other key modernization initiatives, including 1HR, Digital Workplace, knowledge management, and systems and platform infrastructure improvements. Additionally, the budget reflected reallocation within and across departments of about $33 million (about 3 percent of total spending), including modest savings from departmental efficiencies and central savings, such as holding the travel budget constant in nominal terms.

2. **Relative to estimated structural resources, spending on outputs is expected to be broadly as envisaged with Fund-financed resources projected to shift mainly towards country operations and internal support** (Table 1 and Appendix VIII)**.** As envisaged, within country work, there has been a leveling off in budgeted CD spending, although spending on other aspect of *country operations* are projected to increase. Planned spending in area departments suggests a shift from bilateral surveillance to lending as work on intensified programs continue in AFR and WHD. Spending on *internal support* is projected to be higher than budgeted structural resources due to continued efforts on the modernization projects. Slightly higher spending relative to budget on *multilateral cooperation* reflects increased activities on flagships and general research. Analytical work is seeing an uptick, partly driven by spending on cybersecurity-related projects (e.g. fintech) and monetary and financial policy work. Fund governance is predicted to come lower than budget due to underspend in governance departments (SEC, OED, OMD), although broadly in line with previous year's level.

Table 1. Gross Administrative Fund-Financed Resources: Allocation by Output (direct costs), FY 18–20 REVISED

Table 1. Gross Administrative Fund-Financed Resources: Allocation by Output (direct costs), FY 18–20

(Millions of FY 20 U.S. dollars)

			FY 20	
	FY 18 Outturn	FY 19 Outturn	Estimated Structural Resources	Projected Outturn
Total	**1,197**	**1,201**	**1,197**	**1,191**
Analytical Work	92	93	99	100
Multilateral surveillance	73	69	72	71
Country operations	460	467	466	471
Global Solutions/Multilateral Cooperation	48	47	44	45
Fund policies	36	37	35	36
Fund finances	30	30	29	29
Governance and membership 1/	117	115	119	117
Internal support	310	322	295	307
Miscellaneous 2/	20	21	24	15
Contingency	. . .	. . .	15	. . .
Reconciliation item 3/	9	0	. . .	. . .

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES). Mapping based on staff estimates.
1/ Governance and membership encompasses work supporting the Board of Governors, the Executive board, Management, and internal functions such as risk management and internal audit; it also covers work on quota and voice.
2/ The "Miscellaneous" classification covers expenditures that currently cannot be allocated to specific outputs within the ACES model.
3/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

B. Spending by Inputs

3. **The overall high utilization is reflected in the main budget categories** (Table 2)**.** Spending on personnel and buildings and other services is projected to be higher than the structural budget but can be offset by the projected underspend in travel.[1] At the aggregate, carry forward funds will remain available to meet transitional needs in FY 21. Externally funded activities, symmetrically captured in receipts and expenses, are estimated to end the year above FY 19 outturn ($175 million), and slightly below the established operational target for FY 20.

[1] A more detailed breakdown of expenditures over the past years is presented in the Statistical Tables, Appendix XII.

Table 2. Net Administrative Budget: Estimated Outturn, FY 19–20 REVISED

(Millions of U.S. dollars)

	FY 19		FY 20					
	Budget	Outturn	Budget			Projected outturn		
	Total	Total	Fund-financed	Donor financed	Total	Fund-financed	Donor financed	Total
Gross expenditures	**1,371**	**1,346**	**1,197**	**200**	**1,397**	**1,191**	**191**	**1,383**
Personnel	1,009	995	893	132	1,025	908	127	1,035
Travel	135	126	81	52	134	68	41	108
Of which: Annual Meetings	*6*	*5*						
Buildings and other expenses	215	224	208	15	224	215	24	240
Contingency 1/	12	...	15	0	15	...	...	...
Receipts	-236	-214	-39	-200	-239	-34	-191	-225
Net expenditures	**1,135**	**1,131**	**1,158**	**0**	**1,158**	**1,158**	**0**	**1,158**
Memorandum items:								
Carry forward from previous year	46		47		47			
Total net available resources and spending	1,181	1,131	1,205		1,205	1,158		1,158

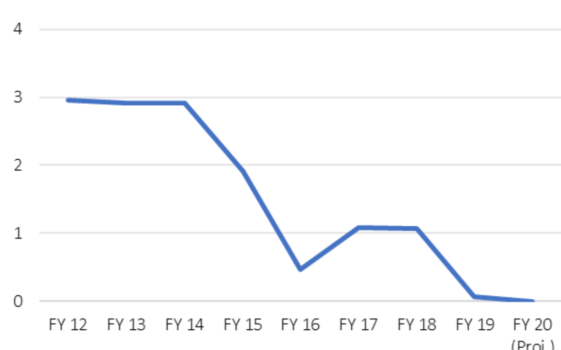
Sources: Office of Budget and Planning and PeopleSoft Financials.
Note: Figures may not add to totals due to rounding.
1/ Represents the contingencies for staff, OED and IEO.

Personnel

4. **Spending on Fund-financed personnel is projected to slightly exceed the structural budget.** Vacancies have continued to decline and similar to last year, at the aggregate, departments are projected to end FY 21 with an average vacancy rate of zero percent and some usage of transitional positions. Vacancies vary by department type: while area and functional departments are projected to slightly exceed their approved structural FTEs, CD departments are projected to be close to and support departments below structural levels.

Vacancy Rate, FY 12-20

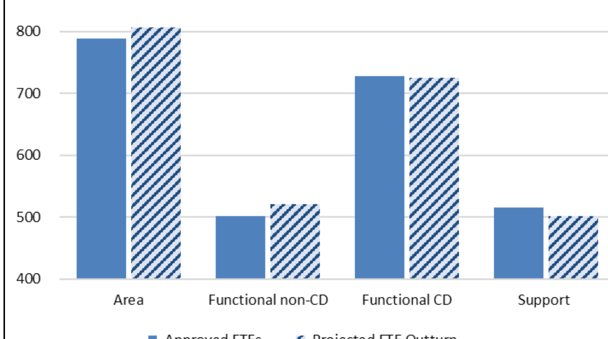
(Percent)



Source: Office of Budget and Planning.
Relative to approved Fund-financed positions.

Fund-financed Budgeted Staff Positions vs Projected Outturn, by Department Type, FY 20

(FTEs)

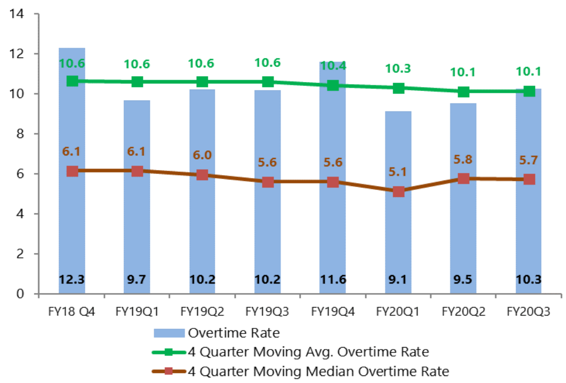


Source: Office of Budget and Planning.

5. **Better budget utilization and increased resources have contributed to improvements in workload indicators.** Fund-wide quarterly moving average overtime rate for staff declines to 10.2 percent, with the median rate trending significantly lower than average rates. Also, the Fund-wide average uncompensated overtime rate (staff and contractuals) dropped to 10.2 percent in the first nine months of FY 20 relative to same period last year.

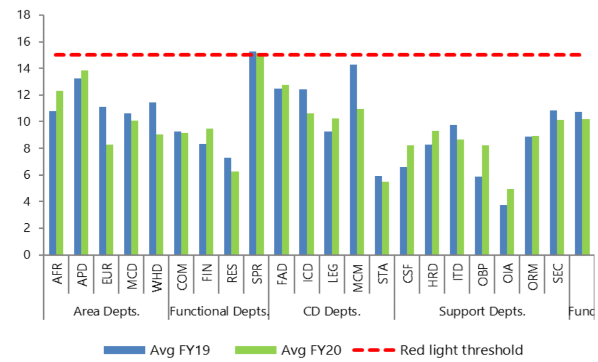
Average Fund-wide Overtime Rate, Past 2 Years[1/] REVISED

(Staff only; percent)



Uncompensated Overtime Rate, May-January[1/] REVISED

(Staff and Contractuals; Percent)



Sources: TRACES and HRPROD.

[1/] Data excludes regional offices. Expressed as a percentage of actual hours worked (i.e., regular hours minus leave).

Travel

6. **Utilization of the travel budget is projected to be about 85 percent, before considering the possible impact of travel restrictions due to the Covid-19 outbreak (text table).** The decline in volume of travel (lower relative to last year and considering the recent health-related concerns and travel restrictions) together with departments' continuous efforts to improve travel management practices is contributing to lower travel spending. The cost per mile for the first eight months of the year is similar to last year, at about $0.38 (text table). Airline contracts are being extended, aiming to retain current discounts but with enhancements in regions where carrier mix could be more favorably aligned with the Fund's footprint. Changes are expected to go into effect early FY 21. The travel budget will again be held constant in nominal terms in FY 21.

Travel, FY 19-20

(Fund-financed, millions of U.S. dollars)

	FY 19		FY 20	
	Budget	Outturn	Budget	Proj. Outturn
Total	**87**	**79**	**81**	**68**
Business 1/	72	65	65	54
Seminars/Participants	4	4	4	3
Settlement	9	8	9	9
Miscellaneous travel	2	2	2	2

Source: Office of Budget and Planning.
1/ FY 19 budget includes $6 million for travel to the Annual Meetings in Indonesia.

Average Cost per Mile, FY 13-20

(U.S. dollars)

	FY 13	FY 14 1/	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 2/
Average cost per mile 3/	0.39	0.41	0.39	0.37	0.36	0.37	0.38	0.38

Source: Corporate Services and Facilities Department.

1/ Costing methodology for cost-per-mile changed beginning with FY 14.
2/ FY 20 cost per mile is based on the first eight months of data (May-December).
3/ Indicator is based on international travel only.

Buildings and Other Expenditures

7. **Spending on buildings and other expenses is projected to be above the structural budget** (Table 3)**.** Most categories (building occupancy, IT, communication and supplies) are projected around budgeted levels. Spending on contractual services, subscription and printing, in aggregate, is similar to last year. In FY 20, there was a structural shift in the treatment in the commercial data subscriptions.

Table 3. Building and Other Expenditures, FY 19–20 REVISED

(Fund-financed, millions of U.S. dollars)

	FY 19		FY 20	
	Budget	Outturn	Budget	Proj. outturn
Total	**205**	**210**	**208**	**215**
Building occupancy	63	65	65	65
Information technology	69	66	70	70
Contractual services	33	35	42	36
Subscriptions and printing	20	21	14	21
Communications	7	7	7	8
Supplies and equipment	4	6	4	5
Other	8	11	7	10

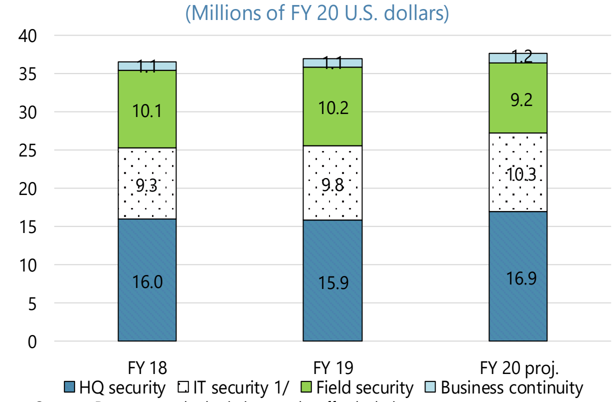
Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.

Security Expenditures

8. **Security spending is projected at about $38 million in FY 20, at similar level in real terms as last year (text figure).** As spending for the regular replacement cost of the Fund's armored vehicles fleet (captured under "Field security") is now charged to the capital budget, the decrease reflects mainly a change in recording of expenses (and source of funding). In addition to this change, lower cost related to alterations to field offices and residences resulted in lower spending in ***field*** security. Offsetting this decrease is an increase in ***Headquarters*** (HQ) Security mostly due to the new guard contract agreement, new Emergency Response App (Everbridge) and filling vacancies in the security team. Spending on ***IT security*** is projected to increase by 5 percent mainly for infrastructure vulnerability management support costs due to the increase of vulnerability incidents and tickets

Security-related Spending, FY 18-20

(Millions of FY 20 U.S. dollars)



Sources: Departmental submissions and staff calculations.
1/ Starting FY 19, recalibration of IT security categories.

and mobile device support cost. Spending on ***Business Continuity*** increased slightly due to a new business continuity tool (Fusion) launched in FY 20.

Receipts

9. **Receipts from externally financed capacity development activities and Fund-financed operations are expected to end the year near planned levels** (Table 4). Externally funded receipts are projected to grow by about 4 percent (about $191 million) compared with FY 19, just below the target set at $200 million. An overall shortfall in general receipts is projected mainly due to lower sales of publications, reflecting the change to digital and free data. The loss of revenue will be reflected in the FY 21 budget. Parking revenue is still below but expected to pick up as parking spaces previously used for HQ1 Renewal construction storage are becoming available. Measures to increase the revenue from the Concordia will be explored in FY 21 together with setting realistic revenue expectations.

Table 4. Receipts, FY 19-20 REVISED

(Millions of U.S. dollars)

	FY 19		FY 20	
	Budget	Outturn	Budget	Proj. outturn
Total	**236.0**	**214.7**	**238.9**	**225.1**
Externally financed capacity development (direct cost only)	196.3	178.0	200.0	191.4
General receipts	39.7	36.7	38.9	33.7
Of which:				
Administrative and trust fund management fees 1/	13.7	12.2	14.0	13.4
Publications income	2.6	1.7	2.6	0.5
Fund-sponsored sharing agreements 2/	3.7	2.8	3.8	2.9
HQ2 lease 3/	2.2	2.0	1.3	1.0
Concordia	3.7	3.1	3.7	3.1
Parking	3.2	2.5	3.3	2.9

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.
1/ Trust fund management fee of 7 percent under the new financing instrument.
2/ Includes reimbursements principally provided by the World Bank for administrative services provided under sharing agreements.
3/ Lease agreement with the World Bank expired. FY 20, includes Credit Union and retail tenants.

C. Capital Investments

10. **Capital spending projections of $104 million are lower than last year, mainly due to the completion of the HQ1 Renewal project, which was completed in September 2019, as scheduled (Table 5).** While the HQ1 Renewal project was winding down, Facilities and IT spending have increased from last year's levels. Projects supporting the HQ1 Renewal completion, such as furniture replacement, tenant renovations, and HQ1 atrium enhancements (relocation of the bistro and acoustical improvements) contributed to the increase in facilities spending.

Table 5. Capital Expenditures, FY 19-20[1/]

(Millions of U.S. dollars)

	FY 19 Spending	Total Funds Available in FY 20	FY 20 Spending (Proj.)
Total	**141**	**196**	**104**
Facilities	29	89	40
Information Technology	31	68	40
HQ1 Renewal	82	39	24

Sources: Office of Budget and Planning, Corporate Services and Facilities, and Information Technology Departments.
1/ Approved capital funding is available for three consecutive years, except for HQ1 Renewal which is available until April 2025.

Modernization activities are driving the higher IT spending, with 1HR implementation in full swing, Capacity Development Management and Administration Program (CDMAP) design and configuration beginning and a number of prerequisite projects underway, such as the new Identity and Access Management system and Corporate Data Warehouse. Per capital appropriations rules (funding available for three years), the unspent balance of approximately $92 million will carry into FY 21.

11. **After projected spending of $104 million, the remaining unspent appropriations from prior years are earmarked largerly for the IT modernization agenda and assets replacements and upgrades.** Remaining funds in the HQ1 Renewal project primarily represent the last of the contingency reserve, which will be kept for some time in order to accommodate any unforeseen closeout activities (see *EBAP/19/110—HQ1 Renewal Project—Q2 FY 2020 Quarterly Progress Report*).

Appendix V. Strategic Budget Information

1. **Reporting on budget planning and execution has become more detailed and output oriented over time. Initially, the budget process focused on the cost of Fund inputs such as personnel or travel.** In F Y11, in response to an IMFC request, the Fund introduced a costing model—Analytical Costing and Estimation System, ACES—based on time reporting that allowed reporting by outputs and on shifts between output categories.

2. **The output hierarchy captures five main outputs of the Fund's core work: multilateral and bilateral surveillance, lending, capacity development, and oversight of global systems.** A balance was struck in developing the list of outputs and activities to ensure sufficient precision in data capture, while avoiding excessive complexity and thus compromising data quality. The model has been used extensively for budget planning and reporting on the Fund's core outputs. It has been supplemented with ad hoc surveys for specific activities that do not fall exclusively within one output category.

3. **Budget reporting is evolving to meet demands for more granular information.** OBP has worked with SPR and KMU to develop taxonomies to better capture activities across the Fund in a systematic manner. An initial version of the Fund's Thematic Framework (FTF) was used to present the FY 20 budget and an updated version has been utilized in the FY 21 budget cycle. Looking ahead, OBP will continue its work to refine and broaden the strategic framework for budget reporting in coordination with other departments to better capture cross-sectional or cross-cutting topics, such as debt or climate change, across different activities. This work also links to a related process for strengthened reporting on the Fund's CD activities and facilitate budget risk identification.

Appendix VI. Implementation Status of the FY 19 Streamlining and Modernization Measures

In mid-2018, Management endorsed a broad-based package of measures, focused on implementing more strategic and targeted practices in the Fund's core work, supporting greater traction, and updating support and back-office functions.[1]

- **Surveillance:** In bilateral surveillance, country teams are taking a more focused and selective approach in their coverage of issues and how these are communicated (e.g., between FY 18 and FY 20 (May-December), the average number of chapters per Selected Issues Paper has declined from 3.2 to 2.6, and the average length from 50 to 39 pages. Shorter and more reader-friendly flagships and REOs are enhancing the impact of our multilateral surveillance products. Staff also took steps to "go green," in the area of publications through a more strategic and selective use of print, moving to digital-only versions.

- **Outreach:** An interdepartmental Outreach Strategy Group (OSG) has been formed, composed of Department Heads and chaired by COM, to smooth bunching of planned conferences, merge high-level conferences with similar objectives, and improve the alignment of conferences with institutional goals.

- **Support functions:** Processes and systems for HR, CD administration, data and knowledge management, and to increase accessibility of information across the Fund are being addressed through the large modernization projects (Box 7). Smaller projects have focused on the potential for relocating, outsourcing, and/or automating processes. Robotic process automation (RPA), a technology that allows end-users to automate structured processes, is being piloted in FIN, ICD, and OBP, with a current review to feed into ongoing efforts in other departments.

- **Governance:** One area in which only limited progress has been made is in streamlining the Board Work Program. The target was to reduce the number of policy items to 50 (from a peak of 71 in Fall 2017); the Fall 2019 Board Work Program has 69 policy items.

While initial savings have been realized, substantial investments are needed during the interim period to reap further gains over the medium term. For FY 20, savings of $2.2 million are expected, including from streamlined multilateral surveillance, publications, printing, and SIPs. The FY 21 budget reflects the significant upfront investments in modernization in both staff resources and systems, affecting both the capital and administrative budgets.

[1] "Modernizing and Streamlining Fund Operations—Achieving Further Progress," FO/DIS/18/87.

Appendix VII. CCBR and HR Reorganization—Budget Implications (REVISED)

The budget impact of the CCBR reforms on the FY 21-23 budget is broadly neutral, with some savings beginning to materialize in FY 23 (Table 1). Full savings will only be realized over a longer horizon. The HR Reorganization generates savings by centralizing HR functions and reducing the number of staff involved in delivering these functions.

Budget Implications of the CCBR

1. **The 2019 CCBR modified some key elements of the Fund's compensation and benefits package.** These include a revision of how the salary increase is calculated, changes to home leave and the education allowance, as well as introduction of new family-friendly benefits, such as a childcare allowance and enhanced parental leave.

Table 1. Estimated Financial Impact of Principal CCBR Proposals—Steady-State and FY 21-25 REVISED

(Millions of FY 20 U.S. dollars)

		Annual Budgetary Impact Compared to Baseline Savings / (Costs)					
Item	Reform Proposal	Steady-State Annual Savings / (Costs)	FY 21	FY 22	FY 23	FY 24	FY 25
CCBR Costing:							
Reforms generating savings		**19.1**	**5.4**	**6.6**	**9.7**	**13.3**	**13.9**
Reforms requiring funding		**(8.5)**	**(5.5)**	**(8.5)**	**(8.5)**	**(8.5)**	**(8.5)**
CCBR: Net Savings (+)		**10.5**	**(0.1)**	**(2.0)**	**1.2**	**4.8**	**5.4**
Other Initiatives:							
Measures to support Fund competitiveness	Selective use of: higher starting salaries, hiring bonuses, scarce skills / retention premia; larger increases at promotion; more training and development.	(4.5)	(0.0-4.5)	(0.0-4.5)	(0.0-4.5)	(4.5)	(4.5)
Modernization (1HR/CDMAP)	Estimated savings	10.1	(0.4)	6.0	10.1	10.1	10.1
SRP	Updating of grossing up formulas	10.0		10.0	10.0	10.0	10.0
Other initiatives: Net Savings (+)		**15.6**	**(8.2)-(3.7)**	**11.5-16.0**	**15.6-21.0**	**15.6**	**15.6**
TOTAL: Net Savings (+)		**26.1**	**(8.3)-(3.8)**	**9.5-14.0**	**16.8-21.3**	**20.4**	**21.0**

Sources: HRD and OBP.
1/ Takes into account the delayed implementation dates for certain benefits.

New benefits

2. **Childcare benefit of $12,000 per child up to age 5 for all regular staff and long-term experts, with an effective date of October 1, 2020.** Current expatriate staff will be given the choice of either the childcare allowance or the tertiary education allowance (see below).[1] The annual cost of this benefit is estimated at $7.2 million, assuming some staff will forfeit childcare benefits for

[1] This choice will be given to current expatriate staff who have children under age five and their future children.

future tertiary education benefit. The FY 21 budget assumes $4.2 million reflecting the effective date of October 1, 2020. Actual take up of this benefit will only be known over time.

3. **Merit pay and short-term disability insurance for long-term contractual employees**. Starting in May 1, 2020, contractual employees will receive the same single salary increase as staff. Estimated cost increase is $1.1 million on an annual basis, representing the difference between the salary increase and the U.S. CPI. Short-term disability will have an annual cost increase estimated at $0.2 million.

Changes in existing compensation and benefits

4. **Methodology for compensation (salary) increases**. A new mechanism will calculate a single annual salary increase based on the Fund's comparators.[2] This change in methodology is expected to deliver some savings, given historical patterns of the salary increases of Fund comparators and budgetary space created by wage erosion at the Fund. As agreed by the Board, when the gross impact of the CCBR becomes positive (expected in FY 23), the part of the wage erosion not required to cover nominal salary increases could help finance targeted measures to bolster the Fund's competitiveness such as higher starting salaries for hard-to-fill positions, selective hiring bonuses for EPs and scarce skill.

5. **Home leave and education allowance for expatriates.** Reforms include streamlining the eligibility cycle to 24 months for home leave, thus eliminating the 18-month option, and reducing the incidental allowance from $5,000 for staff member and $2,000 for each eligible dependent to $2,000 for staff and $1,000 per dependent. This change is expected to reduce the cost of home leave in the long run by $4.4 million. For tertiary education, new staff will no longer be eligible for this benefit. The near-term budgetary impact will be small as it will only impact new staff with college-aged children. Over time, there may also be an impact as eligible staff who choose the childcare allowance option would not receive the tertiary education allowance.

6. **Other reforms related to mandatory enrollment for retirees in Medicare Part B, elimination of spouse points, and changes to the installation allowance.** In the medium term, these reforms are expected to reduce costs by up to $1mllion. Full saving from mandatory enrollment of Medicare Part B can only be realized when all Fund retirees have enrolled. The elimination of spouse points is phased in over three years, with savings partially offset by temporary costs before full savings are realized in FY 24. The reform to the appointment/installation allowance will kick in mid-year and is expected to yield full savings in FY 22. For FY 21, the budget assumes a saving of $0.4 million to be reallocated for other priorities.

[2] Under the new compensation methodology (EBAP/19/104), the salary structure adjustment and the single salary increase are delinked. Hence, a safeguard mechanism is implemented that assesses annually whether the salary increase leaves aggregate salaries below a comparatio of 98 percent or above a comparatio of 102 percent—the comparatio is calculated as the ratio of the average actual salaries in a grade to that grade's midpoint.

Budget Implications of the HR Reforms

7. **The 1HR project will modernize, simplify, and transform the way the Fund delivers its HR services**, through streamlined business practices, best in class cloud software, and enhanced controls, providing flexibility to accommodate future policy, practice or regulatory changes (e.g., HR Strategy and CCBR). The project was presented to the Board on June 26, 2019. The total project costs were estimated at $44 million with a preliminary steady-state net capturable benefits of $8.2 million, leading to a project payback period of about 6 years.

Savings capture plan in the FY 21 budget process

8. The 1HR project and the associated reorganization of the HR service delivery model implied several budgetary reallocations:

- An elimination of the HR-related functions that were decentralized to departments in the past and that will be undertaken by HRD in the new model (e.g. Senior Personnel Managers, HR Business Partners and some Office Manager functions). Implementation of structural staffing changes began in early March and will be implemented in stages through fall 2020;
- An increase in the size of HRD to implement the new service delivery model, supported by the new technology;
- Increased license and subscription costs in ITD, offset by reduced costs in supporting the legacy HCM systems and other (smaller) savings in FIN and OBP on HR administration.

9. **The savings capture plan for 1HR has been finalized and implemented as part of the FY 21 budget formulation process.** Structural savings consistent with the 1HR project steady state and the associated reorganization of the HR service delivery model were captured and reallocated to other Fund priorities. At the same time, departments received transitional resource to smooth the transition to the steady state, including as 1HR completes delivery in FY 21.

10. **Final savings captured in the FY 21 budget are $6.5 million, somewhat below the preliminary estimate of $8.2 million given some additional staffing needs relative to the original projection to support steady state implementation in HRD of the new model.** This implies a project payback period of just over 8 years.[3] Table 1 outlines the main budgetary components of the reform as reflected in the FY 21 budget.

[3] A further update of project implementation will be provided to the Board as part of the regular briefings by the CIO on transformational project implementation this summer.

Table 2. Savings from 1HR and the New HR Service Delivery Model
(in FY 20 USD millions and FTEs)

	FY 20 Baseline		FY 21		Change (Savings (-)/Increase(+))	
	FTEs	USD	FTEs	USD	FTE	USD
	a	*a**	*b*	*b**	*b-a*	*b*-a**
HRD	91.0	35.0	110.0	39.5	19.0	4.5
Decentralized HR Funtions	40.4	11.6	0.8	0.6	-39.6	-11.0
Other (FIN, OBP)	17.0	3.0	15.7	2.8	-1.3	-0.2
IT (current systems) 1/	6.5	4.4	3.5	1.1	-3.5	-3.3
IT (new systems) 1/				3.4		3.4
Total	**154.9**	**54.0**	**130.0**	**47.5**	**24.9**	**-6.5**

1/ IT related budget impacts reflect steady-state and will be achieved in FY22.

Appendix VIII. Selected Policy Reviews and Evaluations in CY 2018-19 (NEW)

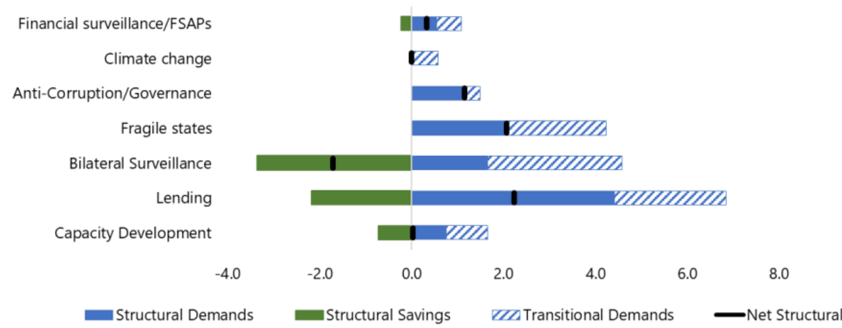
	Title	How resource implications have been addressed
Surveillance	AML/CFT Strategy	Shift to fewer Fund-led assessments, increased staff participation in global review and training efforts. FY 20-22 MTB allocated $0.3 million for follow-up to the review. FY21-23 MTB proposes $0.6 million in support to LEG for work on Fund-supported programs, including on AML/CFT issues.
	Enhanced Governance Framework	Enhanced framework adopted. Assessment of resource implications to be carried in the context of the FY 20 MTB. In FY 20, $2.4 million was provided mainly to functional departments (see ¶20 for further details on funding and costing of governance work).
	IMF Engagement on Social Spending	Strengthen engagement. Guidance note to be completed by end 2020. Additional resource needs not expected to be significant, beyond some set-up costs.
	IEO Evaluation of Financial Surveillance	Called for an increase in resources for financial surveillance. Some resource increases have been provided in FY 20 and FY 21; further changes to be discussed in the context of the ongoing CSR and FSAP reviews, to be completed in FY 21. See ¶20 for further details on funding and costing of financial surveillance work.
	IEO Evaluation of work on Fragile States	Called for greater support to fragile states. See ¶20 for further details on funding and costing of work on fragile states.
Lending	Review of Facilities for Low Income Countries	Implications of reforms on the self-sustained PRGT financing framework discussed.
	Review of Conditionality	The budgetary impact is not expected to be significant, in the context of efforts already planned to strengthen Fund lending and policies.
CD	Capacity Development Strategy	With limited scope for additional resources to support CD-related activities, efforts to strengthen Fund CD will likely need to be accomodated within the existing budget envelope
HR	Recruitment and Retention; Diversity and Inclusion	Use opportunity from forecast retirements and resignations to increase the share of nationals from underrepresented regions, including potentially by investing in capacity development for MENA and GCC nationals through the expansion of Special Appointee Program, Fund Internship Program, and Research Assistant Programs.

Appendix IX. Detailed Breakdown of the FY 21 Budget Proposal (REVISED)

This appendix provides further details on the proposed change in resources by Fund Thematic Categories. As noted, this presentation does not reflect reallocation of resources to address Covid-19 related needs.

Enhanced Engagement with Members

Country Operations REVISED



FY 20 Projected $471 million

Net Structural Net structural demands for country operations of $4 million.

Demands New structural resources of $10½ million, including $3.8 million to support work on priority topics (governance, financial surveillance/FSAPs, fragile states, and climate change). The remainder relates to program engagement ($4½ million) and bilateral surveillance ($1.7 million), including resident representative offices, and support from functional departments (e.g. LEG). A revenue reduction of $0.4 million results from the policy decision to prioritize CD away from high-income countries.

Savings Savings of $6½ million mainly from some reprofiling of field presence (some shifts in location, also some staffing at lower grades); partially offset by new transitional resources for field presence.

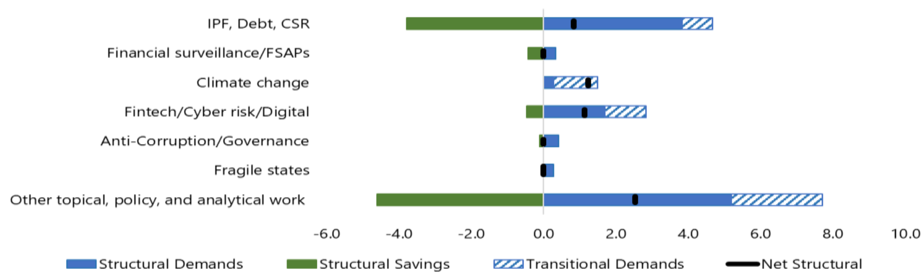
Transitional Needs

Temporary resources of $10 million:

- $3½ million for work in priority areas, mainly on FCS and financial surveillance, and for climate change and anti-corruption/governance work.
- $2.9 million for bilateral surveillance (including systemic country work in EUR, MCD, WHD).
- $2.4 million for activities in support of lending, including field presence (APD, EUR, MCD, WHD). Reflects current outlook for Fund engagement**.**
- $0.9 milion for capacity development, including for the CCAM center coordinator (MCD), Financial Sector Advisor in China (MCM), and implementation of SDG costing (FAD).

Strengthen Analytical Work in Priority Areas

Analytical Work, Multilateral Surveillance and Cooperation, and Fund Policies REVISED



Source: Office of Budget and Planning.

FY 20 Projected

$253 million

Net Structural Demands

Net structural demands across these categories is $2½ million.

Structural demands of $12 million for:

- Work in *priority areas* of $3 million, most of which for cyber-related areas (fintech, digital currencies, cybersecurity, and digital economy issues); mostly in MCM, but also LEG and SPR. In *Fund policy work*, review of the enhanced governance framework and continued work on FCS.
- Work on *debt, CSR*. $3.8 million. Primarily for work on debt policy, MAC DSA, follow up to the CSR, arrears policy, safeguards, and the global financial stability net.
- An additional $5¼ million for work on a range of issues, including AML/CFT, LIC matters, inequality and social protection.

Savings

Savings of $9 million arise from the conclusion of reviews whose work will be mainly completed by FY 21 (review of FSAP and PRGT eligibility).

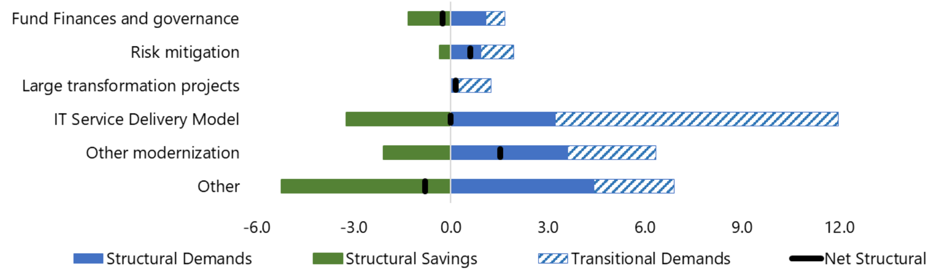
Transitional Needs

Transitional funding of $5.7 million:

- $2.3 million for priority areas, such as climate and cybersecurity.
- $3.4 million for work on the IPF ($0.8 million), support to the G-20 presidencies, gender and strengthening collaboration with the World Bank.

Transitional Spending on Internal Modernization and Risk Management

Fund Finances, Governance, and Internal Support REVISED



Source: Office of Budget and Planning.

FY 20 Projected

$452 million

Net Structural

Net structural demands of $1.2 million.

Demands

Structural demands of $13.4 million:

- *Fund finances and governance*. $1.1 million, including staff work related to IEO evaluations, and Annual and Spring Meetings.
- *Risk mitigation*. While much of the spending on risk mitigation (particularly on information security) falls under the capital budget (see Section F), $1 million in structural resources are proposed for physical and information security, third-party risk management, and copyright issues.
- *IT Service Delivery Model*. ($3.2 million). Tthe planned move to a new IT service delivery model should generate savings over time and help both contain the overall level of IT spending and direct it towards the key priorities.
- *Other modernization*. $3.6 million, mostly from the structural loss in revenue of $2 million as digital publications are made free of charge.
- *Other*. ($4½ million). Activities underlying this category show high reallocations each year related to the revolving work agenda in FIN (e.g. the upcoming review of investment activities). Also included is a reduction in revenue from the sharing agreement with the World Bank on the Joint Library ($0.6 million).

Savings

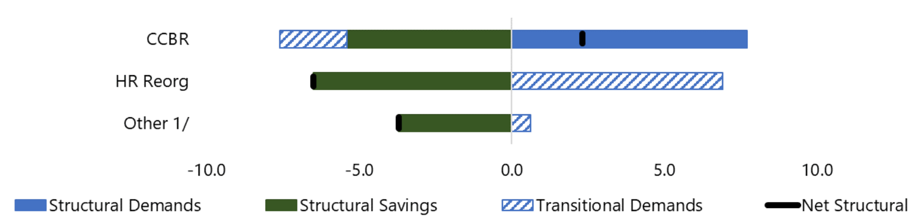
Savings of $12 million, with a large part coming from yearly reallocations in FIN (e.g completion of the Somalia debt relief and Precautionary Balances Review). Savings also from modernization initiatives (e.g., cessation of print versions of regular statistical publication, completion of CCBR work) and offsets to the IT service model described above.

Transitional Needs

$16.6 million, with $8.7 million to support ITD's new service delivery model and the legacy system until iData is completed. For staff supporting the large transformation projects, $1 million; risk mitigation (TPRM, security - $1 million); other modernization initiatives including strengthened change management ($2.7 million); and other needs such as video wall content and the shortfall in revenue from the Concordia and parking fees collection.

Savings in this area Help fund Other Priorities

Institutional needs REVISED



Source: Office of Budget and Planning.
1/ Includes price adjustments in commercial data subscriptions, adjustments related to the CCBR and HR Reorg and savings from holding the travel budget constant.

Net Structural

This category encompasses corporate spending and saving for services that are shared across the Fund. Net structural savings of $8 million are expected.

Demands

Structural resource needs arise from the CCBR implementation (see Appendix VI) in particular from the introduction of the childcare allowance.

Savings

Savings arise from the CCBR, HR reorganization, holding the travel budget flat in nominal terms, and other streamlining efforts.

Transitional Needs

Transitional funding of $5.3 million, mostly related to the shift to the new HR service delivery model. $0.6 million for commercial data (whose pricing increases faster than the CPI). Some transitional savings in FY 21 from the staggered implementation of some CCBR measures.

Appendix X. Proposed Capital Investment Framework (NEW)

Summary

1. The Board is asked to approve the following key elements of a proposed update to the Fund's *Capital Investment Framework* (CIF):

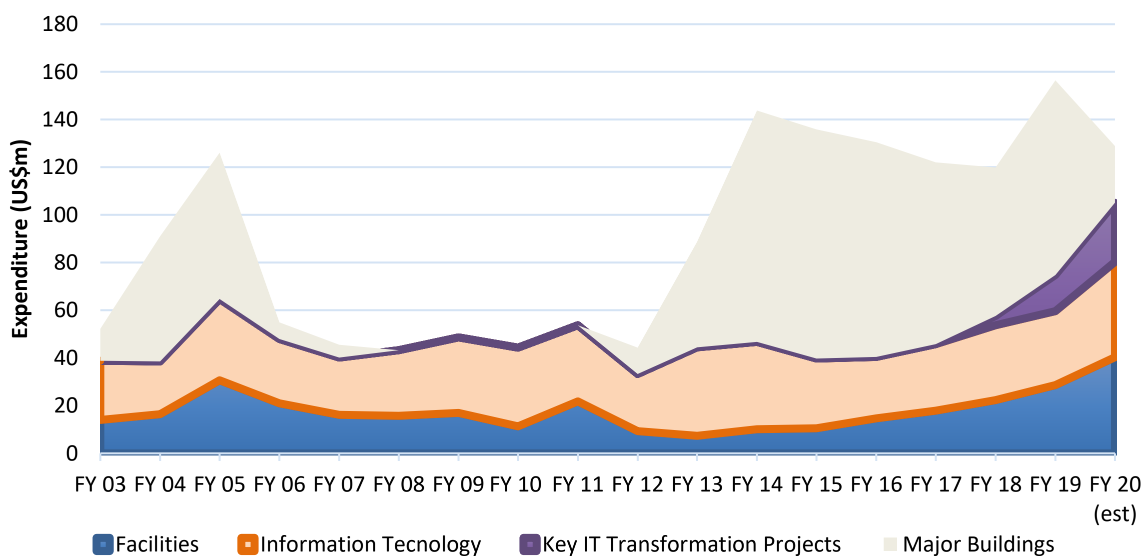
- The annual capital budget will continue to be presented separately from the administrative budget.
- On an annual basis, the Board will be called on to appropriate overall annual capital needs. To support this decision, the Board will be provided the following information, disaggregated as described below: a) information on the key uses of the proposed appropriation, b) the total estimated costs of projects included in the request and c) the overall medium-term capital plan.
    - For large transformational projects, the capital budget will include project-by-project information, including any cost of upfront scoping work and, as soon as available, estimates of total costs. In addition, the Board's endorsement will be sought for large, transformational projects prior to implementation. Staff will engage with the Board to present *ex-ante* project justification, including a business case and cost-benefit analysis (CBA) and provide the Board with periodic progress updates thereafter. Approval of annual spending needs may be sought in the budget paper prior to Board endorsement of the project justification, with use of the funds contingent on obtaining the endorsement.
    - For all other projects, the capital budget will be presented based on project portfolios. The capital budget will include information on the number and types of projects and total estimated portfolio costs.
- Approved funding will continue to remain available for use over a 3-year period, with information to be provided in the budget and outturn reporting on the scale of available resources that have been used/remain available.

2. This proposed CIF also clarifies roles and responsibilities, refines capital project taxonomy, strengthens the investment decision-making process, integrates risk and change management into the project governance structure, and identifies areas for further process improvement. OBP, ITD and CSF will collaborate on staff-level guidelines to support the updated Framework.

Background

3. **The capital investment landscape has changed considerably over the last decade, and the pace of change is accelerating**. Key drivers of change have included: (i) the scale of capital investment required to renovate HQ1; (ii) large-scale, interdependent investments required to modernize key business processes and information systems to transform the way we work; and (iii) the migration from software that is purchased or custom-built and maintained on-premise, to platforms hosted in the cloud with recurring subscription costs. These changes in the investment landscape have prompted the development of a strengthened CIF, which draws together strategy, governance, budgeting, and operational practices, incorporating a needed focus on risk and change management.

Figure 1. Capital Spending— FY 03-20
(USD million)



Source: Corporate Services and Facilities Department, Information Technology Department, and Office of Budget and Planning,

4. **A separate budget for capital investments was established in 1986.**[1] A separate multi-year framework was presented, framed in terms of projects rather than by type of expense. This framework distinguished between the continuing cost of projects approved in prior years and new projects. Investments were approved under a separate capital investment decision, and once approved, a project was not subject to further board decisions unless there were major variations in substance or expense.

5. **In 2002, the Fund began presenting the full costs of projects for approval up front.**[2] Under new procedures instituted that year, the Board approved "the total expected cost of a capital

[1] "Budgeting for Capital Assets," EBAP/86/84, April 9, 1986 and "Accounting for Capital Assets." SM/85/246, August 27, 1985.

[2] "Proposed Changes to Capital Budgeting Procedures" EBAP/02/42, April 1, 2002.

project when appropriation is first sought." This shift sought to reinforce a rigorous approach to project costing and help prevent the escalation of cost over the construction or acquisition period. The revised procedures also stated that "all funds for an individual project not spent within three years will lapse." This methodology could exacerbate lumpiness in the scale of annual capital requests, and over the following years, various metrics were used to benchmark or limit the overall capital budget. After 2007, the Board was asked to approve annual capital cost appropriations which continued to be available for use over a three-year period, helping to stabilize the annual capital budget envelope.

Objectives of the Updated Capital Investment Framework

6. **This review presents an opportunity to update the capital management model**. The proposal set out here takes stock of practices and experience (including lessons from the recently concluded HQ1 renewal), formalizes recent improvements in capital investment decision-making and project management, and identifies areas for further strengthening.[3]

7. **The main objective of the CIF is to provide a framework, calibrated based on project size and complexity, to ensure that**:

- ***Capital investments are aligned with strategic priorities.*** Capital investments provide critical infrastructure updates and improvements and new capabilities. All types of investments should yield benefits, including maintaining the condition and value of Fund assets, risk mitigation, cost reduction or avoidance, productivity gains, and adding strategic value. New capabilities should result in the ability to more effectively meet emerging business needs and priorities, with associated productivity gains and/or cost savings.

- ***Roles and responsibilities are clear*** *(Box 1)*. Roles and responsibilities are clearly defined for each step of the investment lifecycle, namely for identification, evaluation (including robust cost-benefit analysis), review, approval, execution and monitoring of investments.

- ***Investment project costs and benefits are well understood and budgeted***. The total cost of an investment project includes both the upfront capital and administrative costs and the ongoing running costs that need to be supported within the administrative budget constraints. Costs and benefits (financial and non-financial) need to be well-estimated before a decision is made to proceed with the project implementation.[4] Administrative budget impacts (both costs and savings) should be planned and agreed with affected departments before projects are approved.

- ***Procedures for the evaluation and review of new investments are clear***. Projects must submit business cases, including identification of project costs and benefits, to be

[3] EBAP/19/110—HQ1 Renewal Project—Q2 FY 2020 Quarterly Progress Report.

[4] For larger, more complex projects up-front scoping work includes development of a "To Be" framework and market analysis.

considered for investment. Investment projects are evaluated based on four explicit criteria: (i) strategic profile (fit with the strategy of the Fund and non-financial benefits), (ii) financial costs and benefits (iii) risk mitigation profile, and (iv) capacity to deliver. Work is ongoing to reinforce the existing guidelines and templates for these submissions to ensure robust and consistent information for decision-makers is provided in an effective format. The relative weight given to each criterion could differ based on project type e.g., a project to reduce IT security risks or maintain critical building infrastructure versus a project to enhance productivity.

Box 1. Roles and Responsibilities

Executive Board	The Board approves capital investment decisions as part of the annual budget process. For Large Transformational Projects, the Board reviews the business case and CBA before implementation costs are incurred following an initial scoping phase. They also receive periodic updates on transformational project progress.
Management	Management is responsible for reviewing and approving the portfolio of projects recommended by the investment governance committees (see below), with a focus on strategic alignment, overall cost and risk acceptance, and the number, size, timing and sequencing of projects. Management is also responsible for the final decision on how a project should be classified (see paragraph 9).
Project Sponsors	For facilities related projects, CSF is generally the sponsor. For IT related projects, the department proposing the project oversees the project through a named project sponsor, generally at the Director level for transformational projects and at the B-level in all cases. Project sponsors, (working closely with ITD for IT projects), are accountable for the overall performance of the project, including accurate scoping and costing, effective implementation, achieving the intended benefits and realizing savings. Project sponsors for large transformational IT or major facilities programs are assisted by dedicated project managers and senior Program Steering Committees.
Committees	**Committee on Business and Technology (CBIT)**. The CBIT is an interdepartmental committee, currently chaired by the Chief Information Officer (CIO), responsible for reviewing and recommending IT-related business projects, based on proposals presented by the CIO, for approval by management and ultimately the Board. **Facilities Strategic Advisory Committee (FSAC)**. The FSAC is an inter-departmental group chaired by the Director of CSF, responsible for advising on and recommending new investments in facilities, based on a portfolio of projects recommended by the Director of CSF, for approval by management and ultimately the Board. **Program Steering Committees.** Large transformational IT or major facilities programs are governed by a Steering Committee, chaired by the Project Sponsor and consisting of Directors from relevant departments and OBP Steering Committees review and clear major project milestones for submission to the CBIT (IT) or FSAC (facilities).

Box 1. Roles and Responsibilities (concluded)

Project Management	**IT Program Management Office (PMO)**. The PMO, reporting to the CIO, provides oversight of the IT capital portfolio, including the key modernization projects, with focus on risk and budget management, scope and change control, and identification and management of project interdependencies. This office coordinates the annual capital project proposal process, ongoing project monitoring, and other CBIT activities. **CSF Program Management Unit (PMU)**. The PMU, which is part of the Facilities division of CSF, manages the portfolio of projects specific to building assets, projects addressing audio visual and digital asset management needs are managed by the Creative Solutions division. CSF's Resource Management Team is responsible for ensuring efficient management of the entire Facilities capital portfolio, from budget formulation through execution, monitoring, control, and reporting. In the case of major buildings investments, recent experience of HQ1 Renewal established a dedicated temporary unit to serve in a project management function.
Office of Budget and Planning (OBP)	**OBP** prepares the annual medium-term budget paper, consolidating capital budget submissions from ITD and CSF, and advises management on the overall portfolio. OBP ensures the net administrative budget impacts of overall proposed capital investments (based on project specific and overall costs and savings) are vetted and included in the administrative budget proposal. OBP performs an independent review of CBAs for new transformational capital investment proposals prior to their presentation to the respective Committees. At the same time, OBP provides input on overall calculation of net administrative savings and procedures for CBAs. In consultation with CSF and ITD, maintains the CIF guidance and process documentation.
Office of Risk Management (ORM)	The Office of Risk Management (ORM) is involved in the ex-ante enterprise risk assessment of the relevant significant initiatives. ORM may participate as an observer on significant initiatives steering committees by providing relevant risk-based analysis to the committee members and affected departments.
Office of Internal Audit (OIA)	The Office of Internal Audit (OIA) provides periodic assurance on the capital investment framework, the associated governance mechanisms, and internal control processes, based on their risk-based work program. At the request of management or departments, OIA also performs advisory reviews on specific aspects of the framework. They also participate as observers on transformational project steering committees.
Change Management Unit (CMU)	The recently established CMU works closely with project teams to communicate change impacts and help staff prepare for them. Projects of a transformative nature include change management activities and resource needs in their project plans and cost estimates to reduce the risk that the project may not deliver on the objectives because of change resistance or lack of clear and consistent communications.

- ***Operations are agile, efficient and closely monitored***. Investment projects should be planned and sequenced properly and implemented in an efficient manner. The project management (PM) functions provide oversight and work closely with project teams. Their activities include: providing best practice guidance in the areas of risk and budget management, scope and change control, schedule tracking, dependency management and governance, monthly progress reporting and maintenance of a risk register (which is designed to ensure that budget, schedule and scope risks are identified early and that mitigation measures are executed in a timely manner). At the same time, the PM functions help to ensure project and portfolio interdependencies are well understood and addressed.

- ***Risks are managed throughout the process.*** The CIF should ensure not only that investment projects are an effective component of agreed risk mitigation roadmaps for the Fund, but also that project related risks themselves are evaluated, mitigated and monitored.

- ***Change impact is addressed.*** While transformative projects are expected to have the largest change impact, projects in all categories could entail changes in the way staff work. Investment decisions should consider the number of projects involving change and the capacity of staff to absorb change when setting the portfolio. Engagement with the Change Management Unit is a standard part of transformational projects and project budgets should include adequate resources for change management activities.

8. **The CIF should continue to evolve**. Capital developments and industry trends should also be assessed regularly so the CIF can be kept current. Recent developments in IT, such as the shift to cloud platforms, have resulted in significant increases in annual subscription fees, with offsetting savings from lower systems costs, including direct maintenance. The digitization of building systems and the Internet of Things (IoT) are other trends likely to impact capital investment needs and ongoing support. These and other relevant emerging changes need to be strategically assessed in light of the Fund's evolving priorities, risk profile and appetite, and total cost of ownership.

Refining Project Classification

9. **An important component of the updated CIF has been to refine the classification of investment projects** to ensure that governance, procedures and reporting are calibrated based on type and size of projects. The following taxonomy is proposed for capital investments:

- ***Transformational IT projects and major building investments.*** These projects require the highest levels of governance, oversight and risk management. Management is responsible for classification of projects into this category and will consider criteria, such as the scale of resources required (typically more than $15 million), complexity and the transformational aspects, e.g., level of changes to business practices, and staff impact. The business case and CBAs for these projects are reviewed individually by the Board prior to implementation, with periodic updates on project status.

- ***New investments in either IT or facilities.*** The key driver for this type of project is a need to modernize, innovate, reduce risk, or add value (e.g., developing a new capability). These project proposals, initiated by the business sponsor, would be considered for prioritization by the CBIT or FSAC based on the standardized criteria noted above. If agreed, they would be included as part of the portfolio of projects proposed in the budget process to the Board.

- ***Maintenance, compliance, and life-cycle replacements.*** The key driver for this type of project is compliance with relevant rules/standards, audit recommendations and end-of-life or routine maintenance spending (e.g., furniture or PCs that reach the end of their useful life). Capital spending in this category is more predictable (aligned with long-term planning) and typically non-discretionary. The projects in this category are considered separately from those in the second group and the business case or justification will rely on a technical assessment of need (e.g., the Facilities Conditions Assessment, engineering studies or independent expert input). They would be approved as part of the portfolio of projects proposed in the budget process to the Board.

10. **Project classification is decided by Management.** The distinction between transformational, new investment, and replacement is recommended by the sponsor, cleared by the CIO/Director of CSF, and, for transformational projects, approved by management. Most replacement projects will bring new capabilities as technologies evolve. As such, some discretion will be required in application of the framework. Relevant governance committees will be informed of the basis for categorization as a regular part of the approval process.

Capital Budget Presentation to the Board

11. **Under the proposed framework, the Board will be presented with information on total estimated project costs and budget approval will be requested for the next year's spending needs.** The distinction between total estimated capital costs and annual capital spending needs will be most pronounced for large, complex, multi-year projects. Budget documentation would show total estimated costs (where available), amounts previously approved, spending to date, and any remaining spending needs requiring approval.[5] Large, transformational projects may include estimated needs for the following year in the budget request, depending on their status and contingent on the Board endorsement of the project justification (business case and cost benefit

[5] Total estimated capital cost may not be meaningful for maintenance, compliance and certain life-cycle replacement projects as these tend to be continuous in nature (e.g., rolling replacement of PCs and AV equipment) and will therefore not be shown. The presentation will indicate the nature of projects for which the total costs presentation is not relevant.

analysis). Project teams would continue to have three years to execute capital spending approved in the budget.

12. **Total estimated capital costs are determined via a bottom-up approach each year with a top-down check on the overall portfolio size and the institutional capacity to deliver.**

- **The bottoms up estimates are based on the capital needs proposed through the CBIT and FSAC.** As part of the budget proposal each year, the estimates of total project cost will be presented for each portfolio category in aggregate and for the large transformational projects individually, with descriptive information about the number and types of projects being proposed. The annual budget outturn reporting will provide information on execution**.**

- **The budget will show separately the estimated costs of new large transformational projects and updates to existing project cost estimates**. Estimating the total cost of large transformation projects is complex and often involves some up-front spending to refine the scope of the project and likely costs. These initial costs can be funded through use of planning reserves or by segregating scoping and design work as the first phase of a project. Even so, it is often difficult to establish cost estimates without the results of competitive bidding.

- **While the total capital costs are estimated and disclosed in the budget paper, capital budget appropriations will be proposed for Board approval based on the expected annual spending profile**. The envelope size and amounts are determined by management, in close coordination with OBP, CSF and ITD and take into account:

    - Sustainability, both in terms of the expected capital spend and the estimate ongoing impact on the administrative budget;

    - The decisions of the CBIT and FSAC, including their suggested ranking/sequencing for projects that are classified as new investments;

    - ITD, CSF and sponsoring departments' capacity to deliver, historical execution trends, volume and timing of projects and human resources (i.e. project managers).

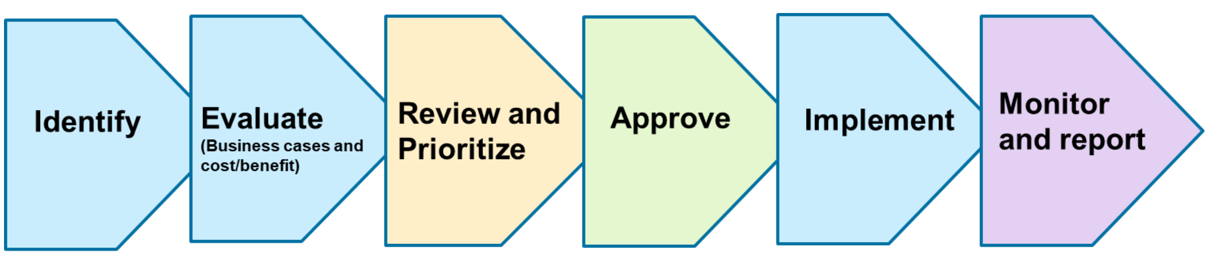
13. **The proposed capital budget appropriation covers the upcoming year and includes projections for the outer years**. For large transformation projects, total costs may be difficult to estimate with accuracy and may also lead to significant volatility if fully appropriated up-front. As noted, the budget will provide a transparent estimate *of the total project cost* as soon as a strong estimate is available and no later than the onset of implementation stage (following initial scoping) and seek *budget appropriation for the project segment* falling in the next budget year. The appropriation of annual resource needs would also be used for new investments in IT and facilities, as well as for lifecycle replacements that follow an asset life-cycle replacement schedule.

14. **The administrative budget impacts of capital investments need to be well documented and play a key role in project approval**. Capital investments require full review of the sustainability of the overall budgetary impact over time. The portfolio of projects should be assessed for its impact on the administrative budget—including the near-term pressure that implementation will put on staff who are involved as subject matter experts or project leads, the running costs (e.g., subscriptions) to support the new investment, and the capturable savings (including from more efficient IT and business processes), as well as other benefits.

15. **Work is continuing to ensure robust review of the impact of capital decisions on the administrative budget, primarily on the IT side**. In this context, several measures will be undertaken, including: (i) reviews of existing administrative budgets dedicated to supporting IT systems; (ii) assessing and adjusting service levels and standards as part of vendor sourcing; (iii) a comprehensive roadmap to rationalize the number of IT applications being supported to allow for decommissioning of old or underutilized systems; (iv) improved costing methods for new capital investments and their administrative impacts, including use of 3rd party validation checks and (v) analysis of enterprise licensing costs for Fundwide software licenses (e.g., Microsoft and ServiceNow). This will help provide budget space to accommodate the impact of new investments. On the IT side, the move towards a new service delivery model provides a good opportunity to advance these approaches. Separately, a plan to account appropriately for the increased administrative costs associated with cloud investments ("lease" versus "buy") will also be needed.

Project Governance

16. **For both facilities and IT investments, the governance process is calibrated based on the project classification.** At the project level, the Facilities and IT Capital Governance are described using the following 6-step process (Box 2 includes additional governance that is present for large transformational IT programs):



Source: Office of Budget and Planning

Identify

Lifecycle replacement projects are identified through regular, independent reviews of building conditions and IT system replacement roadmaps informed by leading practices. Demand for new capabilities or improvements arise as part of regular conduct of operations or from business sponsors identifying new needs or degrading performance of existing systems.

Evaluate

Project teams prepare business cases and evaluate projects using the following criteria:

- Business need and alignment with strategic guiding principles, including an *ex ante* assessment of the impact on the Fund's Risk Profile;
- Financials: CBA, return on investment, if applicable, and consideration of ongoing maintenance costs;
- Risk assessment: (i) business continuity risk, (ii) obsolescence, (iii) staff impact or inconvenience, (iv) reputational risk;
- Resources: adequacy of resources, project dependencies, and capacity to deliver.

Review and Prioritize

Project and resource management teams and, for IT, the Strategy and Architecture Review Board (SARB) review business cases for quality, completeness, and alignment with strategic principles.[6] Projects are selected and prioritized based on the evaluation criteria and added to the capital portfolio. The portfolio construction process will consider the technical studies and independent expert advice on maintenance, compliance, and life-cycle replacements projects.

As part of the annual budget process, the Directors of CSF and ITD will propose the projects that make up the budget request for the following year. The envelope size and amounts are determined by management, in close coordination with OBP, CSF and ITD.

Approve

FSAC and CBIT review and recommend a portfolio, with information on total project cost and the amount requested for the following year. The committees consider the merits of the individual projects, prioritizing maintenance, compliance, and life-cycle replacements projects to ensure these are not crowded out by new investments thus generating risk to the Fund. In addition, the committees consider capacity to deliver and administrative budget impacts in their decision. The outcome of the committee decisions is presented to Management for review and approval before being presented to the Board.

[6] The SARB reviews digital capabilities roadmaps and prioritizes business cases based on capacity to ensure alignment with the Fund's strategic priorities.

Implement

All approved projects are implemented following industry Project Management Life Cycle (PMLC) methodology. The PMLC prescribes monitoring and control processes such as managing risks and issues, managing change, managing schedule, budget and scope and reporting project status report.

Monitor and Report

Projects are monitored on an ongoing basis for progress against milestones, dependencies, unforeseen conditions, scope adjustments, stakeholder engagement and evolving risks.

The relevant committees (FSAC, CBIT) receive periodic reporting and are engaged as needed if there are any significant scope and/or budget changes, to discuss projects with a significant impact on staff, and to address any unplanned projects, which will follow the evaluation and prioritization processes described above for inclusion in the portfolio.

OBP reports on the capital budget outturn (spending). For large transformational projects, Management and the Board receive periodic reports from the relevant Project Sponsor and the PMO.

Box 2. Governance of Transformational IT projects

For Transformational IT investments, additional governance procedures were established. This process—designed to ensure accountability, adherence to budget and schedule, and risk management—was set out in the FY 20-22 MTB Budget paper[7] and includes the following features:

- Each program has a Department Director as **Program Sponsor** who is accountable to the COA/DMD for program execution, and a dedicated project team led by an experienced senior staff member. Program Sponsors present the CBA and finalized business case for Steering Committee (SC) approval, before requesting CBIT approval for implementation funding.
- Each program has a **SC**, composed of the Directors of those departments most impacted, the Chief Information Officer, and the Director of the Office of Budget and Planning. Steering Committees are responsible for major decisions related to the programs.
- Support of a **corporate PMO** providing oversight and support to program managers. The PMO is responsible for project execution, reporting, facilitating governance, and managing risks and interdependencies and overlaps across the various initiatives. The PMO's participation includes operational level meetings and SC activities.
- Change management support provided by a dedicated **Change Management Unit**.
- **Separate engagement** by staff with the Board on project justification (including business case and cost benefit analysis) **and periodic updates** for the Board, either through informal briefings or a periodic progress report from the PMO.

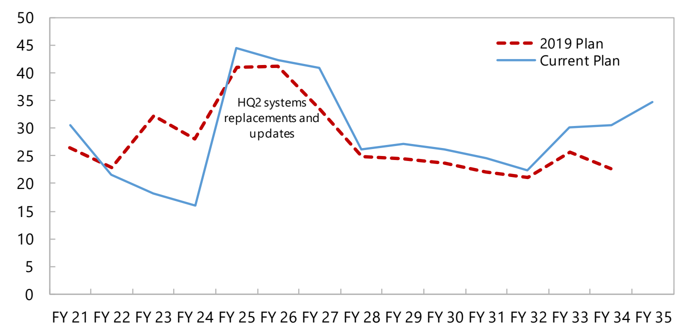
[7] "FY 2020–FY 2022 Medium-Term Budget" EBAP/19/23, April 2, 2019

Appendix XI. Long-term Capital Plans (NEW)

The components of the capital budget that are related to life-cycle replacements are subject to long-term planning. These plans are reviewed and revised regularly based on new assessments, information and updated strategy.

1. **The long-term facilities capital plan (LTP) covers the portion of the budget that relates to the replacement of equipment, critical building systems and renovations for HQ1, HQ2 and Concordia.** These projects are a subset of the overall facilities capital budget which also includes facilities improvement projects that are planned within a shorter timeframe. The LTP is informed by third-party Facilities Condition Assessments (FCA)[1] conducted every three to five years. FCAs consider the age of the assets and best practice assumptions on the useful life to establish broad parameters for replacement costs. As end-of-life milestones are reached, engineering and other feasibility studies are performed to confirm the actual condition and need to replace the asset. The requested appropriation for a given year is based on the actual needs which may reflect an acceleration or delay compared to the assumptions in the LTP.

Facilities Capital Plan, FY 21-35 1/
(Millions of U.S. dollars)



Source: Corporate Services and Facilities Department.
1/ Includes life-cycle replacements and major renovations.

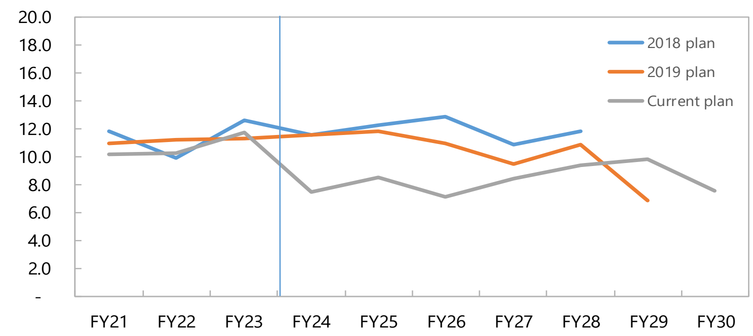
2. **The updated projections for lifecycle replacements show a decline in the near-term followed by a spike in FY 25 in anticipation of HQ2 end of life replacements and updates.** The reduction in the near term compared to last year's projections is related to lower cost estimates for HQ1 building systems (mainly cooling and electrical)[2], reclassification of a non-critical project to the improvements category (which is not subject to long-term planning), and spreading of windows replacement work over a longer period. In FY 25 HQ2 will be 20 years old, when updates to the building systems and finishes, which will have reached the standard life expectancy, will begin. Higher occupancy during the HQ1 renewal has also impacted the condition of systems and furnishings.

[1] The original plan for HQ1 Renewal did not provide for replacement or renovation of these assets because they were not reaching end-of-life until after the project was planned to be completed.

3. **The IT infrastructure long term plan covers network equipment, servers, storage, and end-user devices.** The updated LTP indicates an overall reduction after the medium-term, mainly resulting from migrations to cloud platforms. This trend is somewhat offset by higher costs for technologies that provide network security services.

- The FY 21-23 MTB includes both a refresh of the remote office infrastructure and a personal computer (PC) refresh. After FY 23, the plan reflects a rolling 5-year lifecycle replacement schedule for PCs and a reduction in remote office infrastructure related to cloud initiatives. Both have the effect of leveling capital expenditures in the outer years.

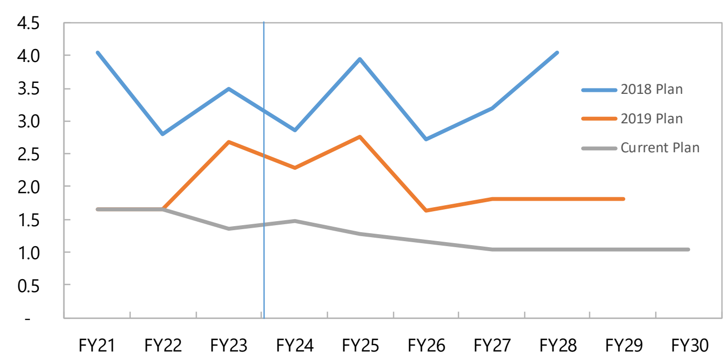
IT Infrastructure Capital Plan, FY 21-30
(Millions of U.S. dollars)



Source: Information Technology Department.

- Migration of applications and the business continuity center to the cloud have also reduced server and storage expenditures. While this reduces the capital spend, higher costs could materialize in the administrative budget in the form of higher annual licensing and subscription fees. These impacts are quantified in the context of the cost-benefit analyses of relevant capital projects.

Servers and Storage Trend, FY 21-30
(Millions of U.S. dollars)



Source: Information Technology Department.

Appendix XII. Statistical Tables (REVISED)

Table 1. Administrative Budget, FY 12-20

(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Personnel	820	799	835	802	861	829	896	862	907	896	934	922	969	962	1,009	995	1,025	1,035
Travel	112	105	125	119	123	117	128	112	130	120	123	115	126	121	135	126	134	108
Buildings and other expenditures	181	178	181	180	190	203	193	204	200	199	205	218	209	226	215	224	224	240
Contingency 1/	11	0	18	0	12	0	7	0	10	0	11	0	11	0	12	0	15	0
Total Gross Expenditures	**1,123**	**1,082**	**1,159**	**1,102**	**1,186**	**1,149**	**1,224**	**1,177**	**1,247**	**1,215**	**1,273**	**1,255**	**1,315**	**1,309**	**1,371**	**1,346**	**1,397**	**1,383**
Less: Receipts	138	135	161	154	179	160	197	167	196	176	200	189	211	211	236	214	239	225
Total Net Expenditures	**985**	**947**	**997**	**948**	**1,007**	**988**	**1,027**	**1,010**	**1,052**	**1,038**	**1,072**	**1,066**	**1,104**	**1,099**	**1,135**	**1,131**	**1,158**	**1,158**
Memorandum item:																		
Carry Forward	*34*		*41*		*42*		*42*		*42*		*43*		*44*		*46*		*47*	

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding. Includes donor financing.
1/ Represents the contingencies for staff, OED and IEO.

Table 2. Gross Administrative Expenditures: Personnel, FY 12-20[1/ 2/]

(Millions of U.S. dollars, unless otherwise noted)

Expenditure category	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 Proj.
Personnel expenses	799	802	829	862	896	922	962	995	1,035
Salaries	471	488	513	534	552	569	603	619	646
Staff, OED, and IEO	370	378	394	410	427	444	465	484	504
Other personnel	101	110	119	124	125	126	138	135	142
Other personnel expenditures	325	310	312	323	339	348	354	371	383
Retirement benefits 3/ 4/	159	143	136	142	155	157	162	168	174
Health benefits	38	39	41	44	44	45	44	47	49
Tax allowances	35	32	36	35	38	39	39	41	42
Home leave	25	26	26	28	28	29	29	31	34
Children's education allowances	21	22	24	26	27	28	29	32	33
Overseas allowances	22	22	21	19	19	19	20	21	21
Training and study allowances	9	10	10	10	10	10	11	11	12
Spouse and child allowances	7	7	7	7	7	7	7	7	7
Other benefits 5/	10	11	11	12	11	14	13	13	11
Other misc. personnel expenditures 6/	4	4	4	5	5	5	5	5	6
Memorandum items:									
Total gross expenditures	1,082	1,102	1,149	1,177	1,215	1,255	1,309	1,364	1,383
Personnel expenses (percent of total)	74	73	72	73	74	74	73	73	75
Salaries (share of total personnel expenses)	59	61	62	62	62	62	63	62	62
Other personnel expenditures (share of pers. exp.)	41	39	38	38	38	38	37	38	38
Total personnel expenses (in FY 20 dollars)	938	941	958	976	991	997	1,010	1,022	1,035
Salaries	552	572	593	604	610	616	633	636	646
Other personnel and other misc. personnel expenditures	386	369	365	371	380	382	377	387	389

Source: Office of Budget and Planning.

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

1/ Reflects current expense categories in the chart of accounts, adjusted retrospectively as appropriate.

2/ Includes donor financing.

3/ Includes the Staff Retirement Plan (SRP), 401K retirement accounts, and Retired Staff Benefits Investment Account (RSBIA).

4/ FY 09-13 and FY 16-17 reflect additional contributions to the RSBIA.

5/ Includes spouse point and emergency travel, life insurance benefits, settlement allowances, and SBF separation incentives.

6/ Includes ICD participants' allowances, and social and welfare expenses.

Table 3. Gross Administrative Expenditures: Travel, FY 12-20
(Millions of U.S. dollars)

	FY 12		FY 13 1/		FY 14		FY 15		FY 16 1/		FY 17		FY 18		FY 19 1/		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Expenditures	**112**	**105**	**125**	**119**	**123**	**117**	**128**	**112**	**130**	**120**	**123**	**115**	**126**	**121**	**135**	**126**	**134**	**108**
Business travel	87	82	98	95	94	91	100	87	104	92	98	88	99	92	111	99	107	85
Transportation	87	48	98	54	94	52	100	48	104	50	98	49	99	52	111	56	107	59
Per diem	…	34	…	41	…	39	…	39	…	42	…	39	…	40	…	43	…	26
Seminars & other	14	11	16	13	18	14	17	15	15	17	14	15	15	18	14	18	16	13
Other travel	11	11	11	11	11	12	11	10	12	11	12	11	12	11	10	10	10	10

Source: Office of Budget and Planning.

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

1/ Includes travel to the Annual Meetings in Tokyo ($6 million in FY 13), Lima ($5 million in FY 16), Bali ($6 million in FY 19).

Table 4. Gross Administrative Expenditures: Buildings and Other Expenditures, FY 12-20
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Buildings and other expenses	**181**	**178**	**181**	**180**	**190**	**203**	**193**	**204**	**200**	**199**	**205**	**218**	**209**	**226**	**215**	**224**	**224**	**240**
Building occupancy	57	56	58	57	58	62	60	61	59	60	59	65	63	68	67	69	70	71
Information technology	43	46	47	47	54	59	57	60	60	59	61	65	65	69	69	66	72	71
Subscriptions and printing	17	17	19	18	20	19	20	20	20	20	19	21	21	22	20	21	14	21
Communications	10	9	10	9	8	9	7	9	7	8	7	8	8	8	8	8	8	8
Supplies and equipment	8	9	7	8	9	8	6	7	8	6	6	6	4	7	4	6	4	5
Miscellaneous 1/	46	41	41	41	42	46	42	47	46	46	52	53	50	52	46	55	57	62

Source: Office of Budget and Planning.

1/ Mainly for contractual services, for example, translation and interpretation services, external audit, as well as other consulting services on business practices and processes.

Table 5. Receipts, FY 12-20
(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Proj. Outturn
Receipts	**138**	**135**	**161**	**154**	**179**	**160**	**197**	**167**	**196**	**176**	**200**	**189**	**211**	**211**	**236**	**214**	**239**	**225**
Externally-financed	107	100	127	118	138	124	154	131	157	142	160	153	172	174	196	178	200	191
General receipts 1/	32	36	34	36	41	36	43	37	39	34	40	35	39	37	40	36	39	34

Source: Office of Budget and Planning.

1/ Includes Trust Fund Management Fees.

Table 6. Net Administrative Expenditures by department/office, FY 12-20[1/]

(Millions of U.S. dollars)

	FY 12		FY 13		FY 14		FY 15		FY 16		FY 17		FY 18		FY 19		FY 20
	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/	Outturn	Budget 2/
Area	**279**	**270**	**286**	**276**	**292**	**289**	**297**	**293**	**300**	**294**	**291**	**281**	**295**	**292**	**302**	**300**	**312**
African	81	77	82	81	82	82	85	85	86	84	83	79	85	86	89	89	93
Asia and Pacific	40	38	41	37	41	41	42	41	43	43	42	41	43	43	44	44	46
European	67	65	73	71	74	73	74	71	73	70	69	65	69	66	69	68	71
Middle East and Central Asia	47	47	47	45	51	51	51	51	52	51	51	50	51	51	52	52	53
Western Hemisphere	45	44	43	42	45	42	45	45	46	46	45	45	46	46	47	47	49
Functional non-CD	**132**	**127**	**132**	**127**	**141**	**137**	**146**	**143**	**151**	**149**	**157**	**155**	**163**	**161**	**167**	**165**	**169**
Communications	28	26	28	27	34	34	36	36	36	36	37	36	37	37	38	36	39
Finance	30	28	30	29	31	30	32	31	33	33	35	33	36	34	36	35	37
Research	30	29	29	29	30	30	32	31	34	33	34	34	36	35	35	35	36
Strategy, Policy and Review	45	43	44	42	46	44	46	45	48	48	52	52	54	54	58	59	58
Functional CD	**213**	**204**	**212**	**206**	**218**	**211**	**224**	**216**	**225**	**222**	**240**	**235**	**246**	**245**	**260**	**256**	**265**
Fiscal Affairs	50	49	51	50	53	53	54	53	55	53	59	57	61	61	62	62	63
Institute for Capacity Development 3/	27	26	29	28	29	27	31	28	31	31	33	33	34	34	34	34	35
Legal	22	20	22	21	23	24	23	23	24	24	25	25	27	26	28	28	30
Monetary and Capital Markets	73	73	73	72	75	71	77	75	77	76	83	81	84	83	86	85	87
Statistics	38	36	37	35	37	37	38	38	39	38	40	39	41	40	49	46	50
Support/offices	**253**	**244**	**254**	**244**	**269**	**264**	**277**	**267**	**284**	**276**	**294**	**291**	**311**	**305**	**310**	**300**	**315**
Technology and General Services	175	171	175	171	188	186	191	186	83	83	...	...	...	...			
Corporate Services and Facilities	...	...	...	...	...	...	...	...	53	53	91	91	95	95	100	99	102
Information Technology	...	...	...	...	...	...	...	...	49	47	102	102	106	106	107	104	108
Human Resources	28	28	29	27	30	30	32	32	33	32	35	35	36	35	38	38	40
Risk Management	0	0	0	0	0	0	2	1	2	2	2	2	3	2	3	3	3
Secretary's	16	14	17	15	18	17	19	18	21	20	22	22	23	23	23	21	24
Office of Budget and Planning	6	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Office of Internal Audit and Inspection	5	4	5	5	5	4	4	4	4	4	5	5	5	5	5	5	5
Office of the Managing Director	10	10	9	9	10	9	10	9	10	10	10	10	10	10	11	11	11
Other small offices 4/	13	13	14	12	14	13	16	13	26	22	22	19	27	23	17	15	17
Total departments/offices	**877**	**845**	**883**	**853**	**921**	**901**	**943**	**920**	**962**	**941**	**982**	**962**	**1,015**	**1,003**	**1,039**	**1,022**	**1,060**
Others	**83**	**66**	**87**	**68**	**87**	**69**	**87**	**69**	**90**	**72**	**90**	**73**	**93**	**73**	**97**	**75**	**97**
Independent Evaluation Office	6	6	6	5	6	6	6	6	6	6	6	6	7	6	7	6	7
Office of Executive Directors	78	60	81	63	80	63	81	63	84	66	84	67	87	67	91	69	90
Central accounts 5/	58	37	68	28	41	18	38	21	42	26	44	35	40	28	44	37	46
Total	**1,019**	**947**	**1,038**	**948**	**1,049**	**988**	**1,068**	**1010**	**1,094**	**1,038**	**1,116**	**1,070**	**1,148**	**1,104**	**1,181**	**1,134**	**1,205**
of which: Carry forward	*34*		*41*		*42*		*42*		*42*		*43*		*44*		*46*		*47*

Source: Office of Budget and Planning.

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

1/ Working budget. Excludes external financing. Data as of October 31, 2019.

2/ Represents total available resources, i.e., approved budget plus carry forward from previous year.

3/ IMF Institute and Office of Technical Assistance Management were merged in FY 13 to become the Institute for Capacity Development.

4/ Includes training institutes overseas, Administrative Tribunal Office, Secretarial Support, Office for Asia and the Pacific, Office in Europe, the Ombudsman, the Mediator, Ethics, Economic Data Team, Investment, HQ1 Task Force, Knowledge Management, Innovation Lab, and the Independent Investigator.

5/ Includes contingencies and resources in centrally administered accounts, e.g., for the resident representative program, HR-related programs, standard cost adjustments.

Table 7. FTE Utilization by Department/Office, FY 12-20[1/]

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20 Approved Budget
Area	**767**	**772**	**794**	**809**	**798**	**785**	**788**	**799**	**789**
African	209	213	212	219	215	210	221	226	226
Asia and Pacific	109	102	112	113	112	114	114	114	114
European	187	203	206	205	200	188	186	189	180
Middle Eastern and Central Asia	132	128	136	136	137	137	134	137	136
Western Hemisphere	129	126	127	136	134	135	133	133	133
Functional non-CD	**454**	**456**	**464**	**476**	**488**	**507**	**505**	**511**	**502**
Communications	83	85	85	91	91	95	91	87	92
Finance	114	115	118	121	125	126	128	129	130
Strategy, Policy, and Review	163	160	164	164	171	176	174	183	170
Research	94	96	97	99	102	110	112	112	110
Functional CD	**607**	**617**	**632**	**653**	**664**	**693**	**707**	**710**	**728**
Fiscal Affairs	129	133	137	136	136	150	161	160	162
Institute for Capacity Development 2/	82	96	98	108	115	122	123	124	124
Office of Technical Assistance Management 2/	14	...	...	...	...	...	...	...	...
Legal	59	64	68	69	70	73	77	80	84
Monetary and Capital Markets	196	197	196	204	208	219	220	221	222
Statistics	127	128	134	136	135	129	127	126	137
Support/others	**494**	**508**	**514**	**513**	**542**	**553**	**563**	**565**	**585**
Technology and General Services	295	303	297	293	148	...	...	...	...
Corporate Services and Facilities	...	...	...	...	87	160	159	160	163
Information Technology	...	...	...	...	64	148	153	145	153
Human Resources	72	74	78	79	87	90	88	96	91
Office of Budget and Planning	16	17	17	17	18	16	16	17	16
Office of Internal Audit	14	15	15	14	11	11	12	13	16
Office of Risk Management	...	...	...	3	7	7	8	9	10
Secretary's	46	49	53	55	59	57	59	59	68
Office of the Managing Director	23	22	22	21	23	26	25	25	25
Other small offices 3/	28	28	31	31	37	39	43	40	43
Central allocation 4/	22	16	15	16	16	12	11	17	21
Total departments/offices	**2,344**	**2,368**	**2,419**	**2,466**	**2,508**	**2,549**	**2,574**	**2,603**	**2,624**
Others	**250**	**256**	**260**	**260**	**258**	**264**	**262**	**263**	**253**
Independent Evaluation Office	13	13	15	15	14	14	15	15	15
Office of Executive Directors	237	243	245	246	244	250	247	247	238
Grand total	**2,594**	**2,624**	**2,680**	**2,727**	**2,767**	**2,813**	**2,836**	**2,866**	**2,878**

Source: Office of Budget and Planning.
Note: Numbers may not add to totals due to rounding.
1/ Excludes external financing.
2/ IMF Institute and Office of Technical Assistance Management were merged in FY2013 to become the Institute for Capacity Development.
3/ Includes training institutes overseas, Administrative Tribunal Office, Ethics Office, Diversity Office, Secretarial Support, Office for Asia and the Pacific, Office in Europe, the Ombudsman, the Mediator, the Grievance Committee, Economic Data Team, HQ1 Task Force, Investment Office, iLab and Knowledge Management Unit.
4/ Includes HR-related programs

Table 8a. Fund-financed Gross Administrative Spending Estimates by Output (indirect costs allocated), FY 16-20[1/]

	Millions of FY 20 U.S. dollars						Percent of total					
					FY 20						FY 20	
	FY 16	FY 17	FY 18	FY 19	Est. Resources	Proj. Outturn	FY 16	FY 17	FY 18	FY 19	Est. Resources	Proj. Outturn
Total	**1,183**	**1,193**	**1,197**	**1,201**	**1,197**	**1,191**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**265**	**262**	**273**	**260**	**263**	**263**	**22.4**	**21.9**	**22.8**	**22.0**	**21.9**	**22.1**
Global economic analysis	**130**	**129**	**130**	**125**	**127**	**127**	**11.0**	**10.8**	**10.9**	**10.6**	**10.6**	**10.7**
WEO	19	18	17	17	18	18	1.6	1.5	1.5	1.5	1.5	1.5
GFSR	16	16	17	14	15	15	1.4	1.3	1.4	1.2	1.2	1.3
General research	43	39	38	39	42	42	3.6	3.3	3.2	3.5	3.5	3.5
General outreach	52	57	57	54	53	53	4.4	4.8	4.8	4.4	4.4	4.4
Support and Inputs to Multilateral Forums and Consultations	**24**	**23**	**23**	**24**	**24**	**24**	**2.1**	**2.0**	**1.9**	**2.0**	**2.0**	**2.0**
Multilateral consultations	7	6	5	4	5	5	0.6	0.5	0.5	0.4	0.4	0.4
Support and Inputs to multilateral forums	18	17	18	20	19	19	1.5	1.4	1.5	1.6	1.6	1.6
Tools to prevent and resolve systemic crises	**64**	**68**	**77**	**69**	**66**	**66**	**5.4**	**5.7**	**6.4**	**5.5**	**5.5**	**5.6**
Analysis of vulnerabilities and imbalances	17	18	21	19	19	19	1.5	1.5	1.8	1.6	1.6	1.6
Other cross cutting analysis	42	45	49	44	43	43	3.6	3.8	4.1	3.6	3.6	3.6
Fiscal Monitor	4	5	7	5	4	4	0.3	0.4	0.6	0.4	0.4	0.4
Regional approaches to economic stability	**47**	**41**	**43**	**42**	**46**	**46**	**3.9**	**3.5**	**3.6**	**3.8**	**3.8**	**3.9**
REOs	22	19	20	19	22	23	1.8	1.6	1.6	1.9	1.9	1.9
Surveillance of regional bodies	11	9	8	8	6	6	0.9	0.7	0.6	0.5	0.5	0.5
Other regional projects	14	13	16	15	17	17	1.2	1.1	1.3	1.4	1.4	1.4
Oversight of global systems	**134**	**139**	**142**	**145**	**142**	**148**	**11.3**	**11.6**	**11.9**	**12.4**	**11.9**	**12.4**
Development of international financial architecture	**39**	**43**	**41**	**47**	**53**	**55**	**3.3**	**3.6**	**3.5**	**4.6**	**4.4**	**4.6**
Work with FSB and other international bodies	7	8	7	7	7	7	0.6	0.6	0.6	0.6	0.6	0.6
Other work on monetary, financial, and capital markets issues	32	36	34	40	46	47	2.7	3.0	2.8	4.0	3.8	4.0
Data transparency	**38**	**39**	**42**	**39**	**34**	**35**	**3.2**	**3.3**	**3.5**	**3.0**	**2.8**	**3.0**
Statistical information/data	30	31	33	31	25	26	2.5	2.6	2.8	2.2	2.1	2.2
Statistical manuals	3	2	2	2	2	2	0.2	0.2	0.2	0.2	0.2	0.2
Statistical methodologies	5	6	6	6	7	7	0.4	0.5	0.5	0.6	0.6	0.6
The role of the Fund	**57**	**56**	**59**	**59**	**56**	**58**	**4.8**	**4.7**	**4.9**	**4.8**	**4.6**	**4.8**
Development and review of Fund policies and facilities excl. PRGT and GRA	20	20	26	27	24	25	1.7	1.7	2.2	2.1	2.0	2.1
Development and review of Fund policies and facilities - PRGT	11	13	12	14	15	15	1.0	1.1	1.0	1.3	1.2	1.3
Development and review of Fund policies and facilities - GRA	9	9	9	8	7	7	0.7	0.8	0.8	0.6	0.6	0.6
Quota and voice	7	6	7	7	6	6	0.6	0.5	0.6	0.5	0.5	0.5
SDR issues	10	8	5	4	4	4	0.8	0.7	0.4	0.3	0.3	0.3
Bilateral surveillance	**320**	**333**	**335**	**346**	**330**	**337**	**27.0**	**27.9**	**28.0**	**28.3**	**27.6**	**28.3**
Assessment of economic policies and risks	**282**	**283**	**293**	**301**	**293**	**299**	**23.8**	**23.7**	**24.5**	**25.1**	**24.4**	**25.1**
Article IV consultations	209	209	221	230	225	230	17.7	17.5	18.5	19.3	18.8	19.3
Other bilateral surveillance	72	74	72	71	67	69	6.1	6.2	6.0	5.8	5.6	5.8
Financial soundness evaluations - FSAPs/OFCs	**28**	**40**	**33**	**37**	**32**	**32**	**2.3**	**3.3**	**2.8**	**2.7**	**2.6**	**2.7**
Standards and Codes evaluations	**10**	**10**	**9**	**9**	**6**	**6**	**0.9**	**0.8**	**0.8**	**0.5**	**0.5**	**0.5**
ROSCs	2	2	1	1	0	0	0.1	0.2	0.1	0.0	0.0	0.0
AML/CFT	2	2	2	2	1	1	0.2	0.1	0.2	0.1	0.1	0.1
GDDS/SDDS	7	6	5	6	5	5	0.6	0.5	0.5	0.4	0.4	0.4
Lending (incl. non-financial instruments)	**194**	**179**	**172**	**179**	**185**	**187**	**16.4**	**15.0**	**14.3**	**15.6**	**15.5**	**15.7**
Arrangements supported by Fund resources	**148**	**146**	**149**	**135**	**147**	**149**	**12.5**	**12.3**	**12.4**	**12.4**	**12.3**	**12.5**
Programs and precautionary arrangements supported by general resources	84	77	72	69	81	82	7.1	6.4	6.0	6.9	6.8	6.9
Programs supported by PRGT resources	64	70	76	66	66	67	5.4	5.8	6.4	5.6	5.5	5.6
Non-financial instruments and debt relief 2/	**46**	**33**	**23**	**44**	38	38	**3.9**	**2.8**	**1.9**	**3.2**	**3.2**	**3.2**
Capacity development	**222**	**224**	**242**	**247**	**236**	**239**	**18.8**	**18.8**	**20.2**	**20.3**	**19.7**	**20.1**
Technical assistance	173	176	194	198	189	191	14.6	14.7	16.2	16.3	15.8	16.1
Training	49	48	49	48	47	48	4.2	4.1	4.1	4.1	3.9	4.0
							-	-	-	-	-	-
Miscellaneous 3/	**30**	**29**	**23**	**23**	**26**	**16**	**2.6**	**2.4**	**1.9**	**1.4**	**2.2**	**1.4**
Contingency	...	...	...	...	**15**	...	...	...	...	...	**1.2**	...
Reconciliation item 4/	**18**	**28**	**9**	**0**	...	...	**1.5**	**2.4**	**0.7**	**-**	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are allocated to outputs.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model. Difference to FTC allocation represents mapping of direct departmental costs to IMF governance.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 8b. Total Gross Administrative Spending Estimates by Output (indirect costs allocated), FY 16-20[1/]

	Millions of FY 20 U.S. dollars						Percent of total					
					FY 20						FY 20	
	FY 16	FY 17	FY 18	FY 19	Estimated Structural Resources	Proj. Outturn	FY 16	FY 17	FY 18	FY19	Estimated Structural Resources	Proj. Outturn
Total	**1,337**	**1,355**	**1,380**	**1,381**	**1,397**	**1,383**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**265**	**262**	**274**	**260**	**263**	**263**	**19.8**	**19.3**	**19.8**	**18.8**	**18.8**	**19.0**
Global economic analysis	**130**	**129**	**130**	**125**	**127**	**127**	**9.7**	**9.5**	**9.4**	**9.0**	**9.1**	**9.2**
WEO	19	18	17	17	18	18	1.4	1.3	1.3	1.2	1.3	1.3
GFSR	16	16	17	14	15	15	1.2	1.2	1.2	1.0	1.1	1.1
General research	43	39	38	39	42	42	3.2	2.9	2.8	2.8	3.0	3.0
General outreach	52	57	57	54	53	53	3.9	4.2	4.2	3.9	3.8	3.8
Support and Inputs to Multilateral Forums and Consultations	**24**	**24**	**23**	**24**	**24**	**24**	**1.8**	**1.7**	**1.7**	**1.7**	**1.7**	**1.7**
Multilateral consultations	7	6	5	4	5	5	0.5	0.5	0.4	0.3	0.3	0.3
Support and Inputs to multilateral forums	18	17	18	20	19	19	1.3	1.3	1.3	1.4	1.4	1.4
Tools to prevent and resolve systemic crises	**64**	**68**	**77**	**69**	**66**	**66**	**4.8**	**5.0**	**5.6**	**5.0**	**4.7**	**4.8**
Analysis of vulnerabilities and imbalances	17	18	21	19	19	19	1.3	1.3	1.5	1.4	1.4	1.4
Other cross cutting analysis	42	45	49	44	43	43	3.2	3.3	3.6	3.2	3.1	3.1
Fiscal Monitor	4	5	7	5	4	4	0.3	0.4	0.5	0.4	0.3	0.3
Regional approaches to economic stability	**47**	**41**	**43**	**43**	**46**	**46**	**3.5**	**3.0**	**3.1**	**3.1**	**3.3**	**3.3**
REOs	22	19	20	19	22	23	1.6	1.4	1.4	1.4	1.6	1.6
Surveillance of regional bodies	11	9	8	8	6	6	0.8	0.7	0.6	0.6	0.4	0.4
Other regional projects	14	13	16	15	17	17	1.1	1.0	1.1	1.1	1.2	1.2
Oversight of global systems	**134**	**139**	**143**	**146**	**142**	**148**	**10.0**	**10.2**	**10.3**	**10.6**	**10.2**	**10.7**
Development of international financial architecture	**39**	**43**	**41**	**47**	**53**	**55**	**2.9**	**3.2**	**3.0**	**3.4**	**3.8**	**4.0**
Work with FSB and other international bodies	7	8	7	7	7	7	0.5	0.6	0.5	0.5	0.5	0.5
Other work on monetary, financial, and capital markets issues	32	36	34	40	46	47	2.4	2.6	2.5	2.9	3.3	3.4
Data transparency	**38**	**39**	**42**	**39**	**34**	**35**	**2.8**	**2.9**	**3.0**	**2.8**	**2.4**	**2.6**
Statistical information/data	30	31	33	31	25	26	2.2	2.3	2.4	2.2	1.8	1.9
Statistical manuals	3	2	2	2	2	2	0.2	0.2	0.2	0.2	0.1	0.1
Statistical methodologies	5	6	6	6	7	7	0.4	0.4	0.4	0.5	0.5	0.5
The role of the Fund	**57**	**56**	**60**	**59**	**56**	**58**	**4.3**	**4.1**	**4.3**	**4.3**	**4.0**	**4.2**
Development and review of Fund policies and facilities excl. PRGT and GRA	20	20	27	27	25	26	1.5	1.5	1.9	1.9	1.8	1.8
Development and review of Fund policies and facilities - PRGT	11	13	12	14	15	15	0.8	0.9	0.8	1.0	1.1	1.1
Development and review of Fund policies and facilities - GRA	9	9	9	8	7	7	0.6	0.7	0.7	0.6	0.5	0.5
Quota and voice	7	6	7	7	6	6	0.6	0.4	0.5	0.5	0.4	0.4
SDR issues	10	8	5	4	4	4	0.7	0.6	0.4	0.3	0.3	0.3
Bilateral surveillance	**320**	**333**	**336**	**347**	**330**	**337**	**23.9**	**24.6**	**24.3**	**25.1**	**23.6**	**24.4**
Assessment of economic policies and risks	**282**	**283**	**293**	**301**	**293**	**299**	**21.1**	**20.9**	**21.2**	**21.8**	**20.9**	**21.6**
Article IV consultations	209	210	221	230	225	230	15.6	15.5	16.0	16.6	16.1	16.6
Other bilateral surveillance	73	74	72	71	67	69	5.4	5.4	5.2	5.1	4.8	5.0
Financial soundness evaluations - FSAPs/OFCs	**28**	**40**	**33**	**37**	**32**	**32**	**2.1**	**2.9**	**2.4**	**2.7**	**2.3**	**2.3**
Standards and Codes evaluations	**10**	**10**	**9**	**9**	**6**	**6**	**0.8**	**0.7**	**0.7**	**0.6**	**0.4**	**0.4**
ROSCs	2	2	1	1	0	0	0.1	0.2	0.1	0.1	0.0	0.0
AML/CFT	2	2	2	2	1	1	0.1	0.1	0.2	0.2	0.1	0.1
GDDS/SDDS	7	6	5	6	5	5	0.5	0.5	0.4	0.4	0.3	0.3
Lending (incl. non-financial instruments)	**194**	**179**	**172**	**179**	**185**	**187**	**14.5**	**13.2**	**12.4**	**13.0**	**13.2**	**13.6**
Arrangements supported by Fund resources	**148**	**146**	**149**	**135**	**147**	**149**	**11.1**	**10.8**	**10.8**	**9.8**	**10.5**	**10.8**
Programs and precautionary arrangements supported by general resources	84	77	72	69	81	82	6.3	5.7	5.2	5.0	5.8	6.0
Programs supported by PRGT resources	64	70	76	66	66	67	4.8	5.1	5.5	4.8	4.7	4.8
Non-financial instruments and debt relief 2/	**46**	**33**	**23**	**44**	38	38	**3.4**	**2.4**	**1.7**	**3.2**	**2.7**	**2.8**
Capacity development	**365**	**372**	**419**	**422**	**436**	**430**	**27.3**	**27.5**	**30.4**	**30.6**	**31.2**	**31.1**
Technical assistance	305	311	352	354	363	358	22.8	23.0	25.5	25.6	26.0	25.9
Training	60	61	67	68	73	72	4.5	4.5	4.8	4.9	5.3	5.2
							-	-	-	-	-	-
Miscellaneous 3/	**45**	**49**	**29**	**27**	**26**	**16**	**3.4**	**3.6**	**2.1**	**2.0**	**1.9**	**1.2**
Contingency	...	...	...	...	**15**	...	...	...	...	...	**1.0**	...
Reconciliation item 4/	**14**	**21**	**8**	**0**	...	...	**1.1**	**1.5**	**0.6**	**-**	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are allocated to outputs.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model. Difference to FTC allocation represents mapping of direct departmental costs to IMF governance.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 8c. Fund-financed Gross Administrative Spending Estimates by Output (direct costs), FY 16-20[1/]

	Millions of FY 20 U.S. dollars						Percent of total					
					FY 20						FY 20	
	FY 16	FY 17	FY 18	FY 19	Estimated Structural Resources	Proj. Outturn	FY 16	FY 17	FY 18	FY 19	Estimated Structural Resources	Proj. Outturn
Total	**1,183**	**1,193**	**1,197**	**1,201**	**1,197**	**1,191**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Multilateral surveillance	**176**	**174**	**179**	**172**	**176**	**174**	**14.9**	**14.6**	**15.0**	**14.3**	**14.7**	**14.6**
Global economic analysis	**89**	**89**	**89**	**87**	**89**	**88**	**7.6**	**7.5**	**7.5**	**7.2**	**7.4**	**7.4**
WEO	11	11	11	11	11	11	1.0	0.9	0.9	0.9	0.9	0.9
GFSR	10	10	11	9	10	10	0.8	0.8	0.9	0.8	0.8	0.8
General research	27	24	24	24	27	26	2.3	2.0	2.0	2.2	2.2	2.2
General outreach	41	44	44	42	41	40	3.5	3.7	3.7	3.3	3.4	3.4
Support and Inputs to Multilateral Forums and Consultations	**16**	**15**	**14**	**15**	**15**	**15**	**1.3**	**1.3**	**1.2**	**1.2**	**1.3**	**1.3**
Multilateral consultations	4	4	3	3	3	3	0.4	0.3	0.3	0.2	0.2	0.2
Support and Inputs to multilateral forums	11	11	11	13	12	12	0.9	0.9	0.9	1.0	1.0	1.0
Tools to prevent and resolve systemic crises	**40**	**43**	**48**	**43**	**42**	**42**	**3.4**	**3.6**	**4.0**	**3.4**	**3.5**	**3.5**
Analysis of vulnerabilities and imbalances	11	11	13	12	12	11	0.9	0.9	1.1	0.9	1.0	1.0
Other cross cutting analysis	27	29	31	28	28	27	2.3	2.4	2.6	2.3	2.3	2.3
Fiscal Monitor	2	3	4	3	3	3	0.2	0.2	0.3	0.2	0.2	0.2
Regional approaches to economic stability	**31**	**27**	**28**	**27**	**30**	**30**	**2.6**	**2.2**	**2.3**	**2.4**	**2.5**	**2.5**
REOs	14	13	13	12	15	15	1.2	1.1	1.1	1.2	1.2	1.2
Surveillance of regional bodies	7	6	5	5	4	4	0.6	0.5	0.4	0.3	0.3	0.3
Other regional projects	10	8	10	10	11	11	0.8	0.7	0.9	0.9	0.9	0.9
Oversight of global systems	**88**	**91**	**91**	**93**	**92**	**96**	**7.5**	**7.6**	**7.6**	**7.9**	**7.7**	**8.1**
Development of international financial architecture	**25**	**28**	**27**	**30**	**34**	**36**	**2.1**	**2.3**	**2.2**	**3.0**	**2.9**	**3.0**
Work with FSB and other international bodies	5	5	5	5	5	5	0.4	0.4	0.4	0.4	0.4	0.4
Other work on monetary, financial, and capital markets issues	20	22	22	26	29	31	1.7	1.9	1.8	2.5	2.5	2.6
Data transparency	**24**	**25**	**26**	**24**	**22**	**23**	**2.0**	**2.1**	**2.2**	**1.9**	**1.8**	**1.9**
Statistical information/data	19	20	21	19	16	17	1.6	1.7	1.7	1.4	1.3	1.4
Statistical manuals	2	1	1	1	1	1	0.1	0.1	0.1	0.1	0.1	0.1
Statistical methodologies	3	4	4	4	4	5	0.3	0.3	0.3	0.4	0.4	0.4
The role of the Fund	**39**	**38**	**39**	**39**	**36**	**37**	**3.3**	**3.2**	**3.2**	**3.1**	**3.0**	**3.1**
Development and review of Fund policies and facilities excl. PRGT and GRA	14	14	17	18	15	16	1.2	1.2	1.4	1.3	1.3	1.4
Development and review of Fund policies and facilities - PRGT	7	8	7	8	9	10	0.6	0.7	0.6	0.8	0.8	0.8
Development and review of Fund policies and facilities - GRA	6	6	6	5	4	5	0.5	0.5	0.5	0.4	0.4	0.4
Quota and voice	6	4	5	5	4	4	0.5	0.4	0.4	0.3	0.3	0.3
SDR issues	7	5	3	3	3	3	0.6	0.5	0.3	0.2	0.2	0.2
Bilateral surveillance	**209**	**214**	**215**	**220**	**212**	**216**	**17.6**	**18.0**	**18.0**	**17.9**	**17.7**	**18.2**
Assessment of economic policies and risks	**185**	**183**	**189**	**191**	**189**	**192**	**15.6**	**15.4**	**15.8**	**15.9**	**15.7**	**16.1**
Article IV consultations	138	135	142	146	145	148	11.6	11.3	11.8	12.2	12.1	12.4
Other bilateral surveillance	48	49	47	46	44	45	4.0	4.1	3.9	3.7	3.7	3.7
Financial soundness evaluations - FSAPs/OFCs	**17**	**25**	**21**	**23**	**20**	**20**	**1.4**	**2.1**	**1.7**	**1.7**	**1.7**	**1.7**
Standards and Codes evaluations	**7**	**6**	**6**	**5**	**4**	**4**	**0.6**	**0.5**	**0.5**	**0.3**	**0.3**	**0.3**
ROSCs	1	1	1	0	0	0	0.1	0.1	0.1	0.0	0.0	0.0
AML/CFT	1	1	2	1	1	1	0.1	0.1	0.1	0.1	0.1	0.1
GDDS/SDDS	4	4	3	3	3	3	0.4	0.3	0.3	0.2	0.2	0.3
Lending (incl. non-financial instruments)	**130**	**118**	**113**	**117**	**124**	**125**	**11.0**	**9.9**	**9.4**	**10.2**	**10.4**	**10.5**
Arrangements supported by Fund resources	**99**	**96**	**98**	**88**	**99**	**99**	**8.4**	**8.1**	**8.2**	**8.1**	**8.2**	**8.3**
Programs and precautionary arrangements supported by general resources	56	51	48	46	55	55	4.7	4.3	4.0	4.5	4.6	4.6
Programs supported by PRGT resources	43	45	50	42	44	44	3.6	3.8	4.2	3.6	3.7	3.7
Non-financial instruments and debt relief 2/	**31**	**22**	**15**	**29**	**25**	**25**	**2.6**	**1.8**	**1.2**	**2.1**	**2.1**	**2.1**
Capacity development	**143**	**143**	**145**	**144**	**145**	**146**	**12.1**	**12.0**	**12.1**	**11.9**	**12.1**	**12.2**
Technical assistance	105	107	110	110	111	112	8.9	8.9	9.2	9.2	9.3	9.4
Training	37	36	35	34	34	34	3.2	3.0	2.9	2.8	2.8	2.9
Support and Governance	**389**	**397**	**422**	**432**	**407**	**418**	**32.9**	**33.3**	**35.2**	**36.4**	**34.0**	**35.1**
Miscellaneous 3/	**30**	**29**	**23**	**23**	**26**	**16**	**2.6**	**2.4**	**1.9**	**1.4**	**2.2**	**1.4**
Contingency	...	...	...	...	**15**	...	...	...	...	...	**1.2**	...
Reconciliation item 4/	**18**	**28**	**9**	**0**	...	...	**1.5**	**2.4**	**0.7**	**-**	...	...

Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES).

1/ Support and governance costs are shown as a separate item.

2/ Includes Post Program Monitoring (PPM), Policy Support Instruments (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Multilateral Debt Relief Initiative-I (MDRI-I), MDRI-II, Heavily Indebted Poor Countries (HIPC), Joint Staff Advisory Note (JSAN), Catastrophe Containment Relief Trust (CCRT), and trade integration mechanisms.

3/ The "Miscellaneous" classification includes expenditures that currently cannot be properly allocated to specific outputs within the ACES model. Difference to FTC allocation represents mapping of direct departmental costs to IMF governance.

4/ Reconciliation to gross administrative expenditures as per the Fund's financial system.

Table 9. Capital Expenditures

(Millions of U.S. dollars)

	Formula Key	Facilities	Information Technology	HQ2	HQ1 Renewal	Concordia Renovation	Total Capital
FY 14							
New appropriations	(6)	17.4	23.8	0.0	0.0	0.0	41.2
Total funds available	(7) = (5)+(6)	29.8	49.4	0.0	405.3	9.3	493.8
Expenditures	(8)	10.1	36.6	0.0	92.2	4.8	143.8
Lapsed funds 1/	(9)	0.5	0.0	0.0	0.0	3.9	4.4
Remaining funds 2/	(10) = (7)-(8)-(9)	19.2	12.8	0.0	313.1	0.6	345.7
FY 15							
New appropriations	(11)	22.0	29.8		0.0	0.6 3/	52.4
Total funds available	(12) = (10)+(11)	41.2	42.6		313.1	0.6	397.4
Expenditures	(13)	10.5	29.3		95.7	0.3	135.8
Lapsed funds 1/	(14)	0.6	0.3		0.0	0.3	1.2
Remaining funds 2/	(15) = (12)-(13)-(14)	30.1	12.9		217.4	0.0	260.4
FY 16							
New appropriations	(16)	14.4	27.7		132.0 4/		174.1
Total funds available	(17)= (15)+(16)	44.5	40.6		349.4		434.5
Expenditures	(18)	14.6	25.8		90.1		130.5
Lapsed funds 1/	(19)	0.4	0.1		0.0		0.6
Remaining funds 2/	(20) = (17)-(18)-(19)	29.4	14.7		259.2		303.4
FY 17							
New appropriations	(21)	32.5	28.0		0.0		60.5
Total funds available	(22)= (20)+(21)	62.0	42.7		259.2		363.9
Expenditures	(23)	17.9	27.9		76.3		122.1
Lapsed funds 1/	(24)	5.4	0.2		0.0		5.6
Remaining funds 2/	(25) = (22)-(23)-(24)	38.7	14.6		182.9		236.2
FY 18							
New appropriations	(26)	31.4	35.0		0.0		66.4
Total funds available	(27)= (25)+(26)	70.1	49.6		182.9		302.6
Expenditures	(28)	22.3	31.4		62.3		116.0
Lapsed funds 1/	(29)	0.3	0.0		0.0		0.3
Remaining funds	(30) = (27)-(28)-(29)	47.4	18.2		120.6		186.3
FY 19							
New appropriations	(31)	35.5	35.9		0.0		71.4
Total funds available	(32)= (30)+(31)	82.8	54.1		120.6		257.5
Expenditures	(33)	28.7	30.9		81.6		141.2
Lapsed funds 1/	(34)	5.9	0.0		0.0		5.9
Remaining funds	(35) = (27)-(28)-(29)	48.1	23.2		39.0		110.4
FY 20							
New appropriations	(36)	40.8	45.0		0.0		85.8
Total funds available	(37)= (35)+(36)	88.9	68.2		39.0		196.2
Expenditures (Est.)	(38)	40.3	40.0		23.8		104.1
Remaining funds (Est.) 2/	(39) = (37)-(38)	48.6	28.2		15.2		92.1

Sources: Office of Budget and Planning and Corporate Services and Facilities Department and Information Technology Department.

1/ Figures reflect funds that were not spent within the three-year appropriation period; e.g., FY 16 appropriated funds lapsed at the end of FY 18.

2/ Figures reflect the unspent amount of the budget appropriation in the period concerned. Those funds can be used for authorized projects in the period covered by the appropriation

3/ Unspent Concordia funds appropriated in FY 12 expired at the end of FY 14 with the exception of $0.6 million that was specifically reappropriated for FY 15 to complete the remaining work under the project.

4/ Additional appropriations were approved for the HQ1 Renewal Program during FY 16.