FOR INFORMATION

EBAP/20/58
Correction 1

October 15, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **FY2020—Output Cost Estimates and Budget Outturn**

Board Action:	The attached corrections to EBAP/20/58 (7/31/20) have been provided by the staff:
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	**Page 20**
Typographical Errors	**Pages 5, 7, 8, 9, 10, 11, 19**
Questions:	Ms. Khazai, OBP (ext. 39931)

OVERVIEW

1. **Implementation of the FY2020 budget was affected by the immediate impact of the COVID-19 crisis late in the fiscal year.** *Total net administrative expenditures* were $1,150 million, or 99.3 percent of the approved structural budget of $1,158 million (Table 1). Th~~e~~ is is broadly in line with expectations, as discussed in the FY 21-23 Medium-term Budget and Supplement.[1] Relative to total net available resources (which included $31 million in carry forward for general use and $15 million for OED and IEO from FY 19), the utilization rate was 95.4 percent. Utilization of the *net Fund-financed budget* was 99.3 percent, with the underrun reflecting the impact of the COVID-19 related crisis, including on travel expenditures. Given Board approval in April of an increase in the Fund's general administrative carry forward limit from 3 to 5 percent, $45 million in carry forward resources will be available for general use under the FY 21 budget.[2]

2. **The shortfall in externally financed CD spending was in line with projections in the FY2021-FY2023 budget supplement**. Gross externally financed expenditures were $168 million, about $32 million (16 percent) below the $200 million budgeted level and $10 million (6 percent) below last year. The underspend reflects a variety of factors; in Q4 specifically, travel restrictions and capacity constraints in recipient countries impeded delivery.

Table 1. Overview of Administrative Budget and Expenditures, FY 19–20

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

	FY 19			FY 20		
	Budget	Outturn	Utilization (percent)	Budget	Outturn	Utilization (percent)
Total gross expenditures	**1,371**	**1,346**	**98.1**	**1,397**	**1,350**	**96.6**
Fund-financed 1/	1,175	1,170	99.6	1,197	1,182	98.7
Externally financed 1/	196	175	89.3	200	168	84.0
Total net expenditures	**1,135**	**1,131**	**99.7**	**1,158**	**1,150**	**99.3**
Of which: Fund-financed	*1,135*	*1,134*	*99.9*	*1,158*	*1,150*	*99.3*
Carry forward from previous year	46			47		
Total net available resources	**1,181**	**1,131**	**95.8**	**1,205**	**1,150**	**95.4**

Source: Office of Budget and Planning.

Note: Figures may not add up due to rounding.

1/ The difference between total net expenditures and Fund-financed net expenditures in FY 19 reflects a $3 million difference between IMF02 spending and receipts (see Table 7). This is due to: i) use of standard cost benefits for externally funded long-term field-based experts and ii) timing differences for take up of benefits and their scale relative to standard costs. Reconciliation of these accounts with actual expenditures is reflected in figures for FY 20.

[1] See in particular Annex III of the main paper (page 44) and Supplement 1.

[2] The total FY 21 carry forward of $55.2 million is made up of $44.5 million for general use (including $4.9 million transferred from the OED carry forward), an additional $10.2 million for OED, and $0.5 million for IEO. The total carry-forward limit is $69.4 million, of which $53.8 million is for general use.

6. **With unchanged total staff resources, immediate crisis response needs were met in large part through reprioritization, informal reallocations, and staff overtime and untaken leave.** For example, the increase in lending was supported through reallocation from Article IVs, FSAPs and CD, which declined a combined 8 percent during this period. Delays in non-crisis related policy reviews and analytical work also contributed, as well as streamlining of operational procedures. Informal and temporary staff reallocations also took place, notably from functional CD departments to provide direct support to teams in area departments, Finance (FIN), and Strategy, Policy ~~Review~~and Review Departments (SPR). These adjustments were necessary to respond to the crisis but point to limits and increased workload going forward.

B. Spending by Thematic Category, Relative to Budget

7. **While time spent on country engagement increased in the context of the COVID-19 crisis, dollar spending was below budget.** Overall spending for *country operations* (including bilateral surveillance, lending, and CD) was below the Fund-financed budget by some $19 million, largely reflecting travel. Higher-than-expected spending on *lending* of $4 million was more than fully offset by the lower-than-projected spending on *bilateral surveillance* and *CD*. *Analytical work* was below budget by $4 million, notwithstanding some increase late in the year (see below). Other expenditures (including *multilateral surveillance*, *global cooperation*, *Fund policies*, and *Fund finances*) were broadly as planned. *Governance and membership* related work was below budget, partly due to the virtual Spring Meetings.

Table 2. Gross Administrative Fund-Financed Resources by Thematic Categories, FY 19–20

(Millions of FY 20 U.S. dollars)

		FY 20			
	FY 19 Outturn	Estimated Structural Resources	Transitional Resources	Total	Outturn
Total	**1,201**	**1,197**	**26**	**1,223**	**1,182**
Country operations	417	413	10	423	404
FSAPs	23	20	0	20	19
Lending	83	93	4	97	101
Surveillance	197	192	5	197	181
Non financial arrangements and debt relief	29	25	0	25	25
CD delivery	86	83	2	84	79
Multilateral surveillance	65	68	0	69	69
Global Cooperation 1/	44	42	1	43	42
Analytical work	87	94	2	96	92
Fund policies	38	38	1	39	38
Governance and membership 2/	115	118	1	119	110
Fund finances	21	20	0	21	20
General outreach	40	38	0	38	37
Internal support	352	327	10	336	339
Miscellaneous 3/	21	24	...	24	30
Contingency	...	15	...	15	...
Memorandum item:					
Externally financed activities	180	200	0	200	168

Source: OBP estimates, Analytic Costing and Estimation System (ACES).
1/ Global cooperation captures standard setting, and work with other international organizations and the G-groupings.
2/ 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.
3/ Miscellaneous includes payments to some separating staff and reconciliation items. Fund-financed only.

C. Spending on FY 20 Priority Topics

8. Spending in priority areas identified in the FY2020-FY2022 Medium-term Budget was supported by incremental budgetary resources, in some cases from a low starting base. Table 3 provides partial estimates for non-CD spending by priority topics, with similar information on CD spending provided in Annex I:[3]

- *Financial surveillance*. Total spending was around $77 million in FY20, or 15 percent of bilateral and multilateral surveillance. These estimates include spending on financial surveillance by country teams, as well as functional departments. Overall, FY 20 saw a decline in estimated functional department spending relative to FY 19, mainly because of lower Financial Sector Assessment Program (FSAP) spending (¶9). Non-CD spending on fintech and cyber risk reached $6 million in FY 20.

Table 3. Estimated Non-CD Spending on Priority Topics, FY 20
(Millions of FY 20 U.S. dollars)

	Country teams	Other 1/	Total
Financial surveillance	38	38	77
Fragile states	64		64
Anti-corruption/governance	37	6	43
Inclusive growth	28		28
Social spending	25		25
Climate change	14	2	16
Gender	8	1	9
Fintech/cyber risk	5	1	6
International taxation	4		4

Source: ACES, survey of country teams, staff estimates.
1/ "Other" captures specific topical work outside of country teams, as highlighted in footnote 3. Blank cells indicate data gaps.

- *Fragile states*. Fragile states received $1.2 million in additional budgetary non-CD resources in FY 20. Aggregate non-CD spending on fragile states reached an estimated $64 million in FY 20 (Table 3), including increases in surveillance and lending. CD delivery in fragile states declined from FY 19 to $36 million, reflecting absorptive capacity issues in the context of the crisis, as well as remote delivery challenges. (Annex I, Table 4).

- *Anti-corruption/governance* represented 13 percent of bilateral surveillance and lending, *inclusive growth*, 10 percent, *social spending*, 9 percent, and *gender*, 3 percent. Separately, despite declining overall CD spending, delivery on anti-corruption issues (a targeted growth area) grew by almost 70 percent from a relatively low base (Annex I, Table 4).

- *Climate*. Spending in FY 20 is estimated at $16 million, broadly consistent with earlier estimates, as the Fund has begun to ramp up work in this area.

- *International taxation*. Spending on these issues is estimated at $4 million. This excludes policy and analytical work.

[3] Recognizing gaps in available data by topical category, Column 1 in Table 3 is based on a survey of country teams undertaken in June 2020 and time recorded for direct country support by functional departments. Column 2 covers only Board Work Program items, except as noted below, and does not include broader analytic and policy work. For anticorruption/governance, indirect functional department input to countries is also included. For financial surveillance, broader coverage of functional department support is provided based on analysis at the time of the FY 21-23 budget. Figures on climate change reflect broader analytic and policy work as reported in a March 2020 survey, which also highlighted expectations for growth in FY 21, as discussed in Box 5 in the FY 21-23 budget paper.

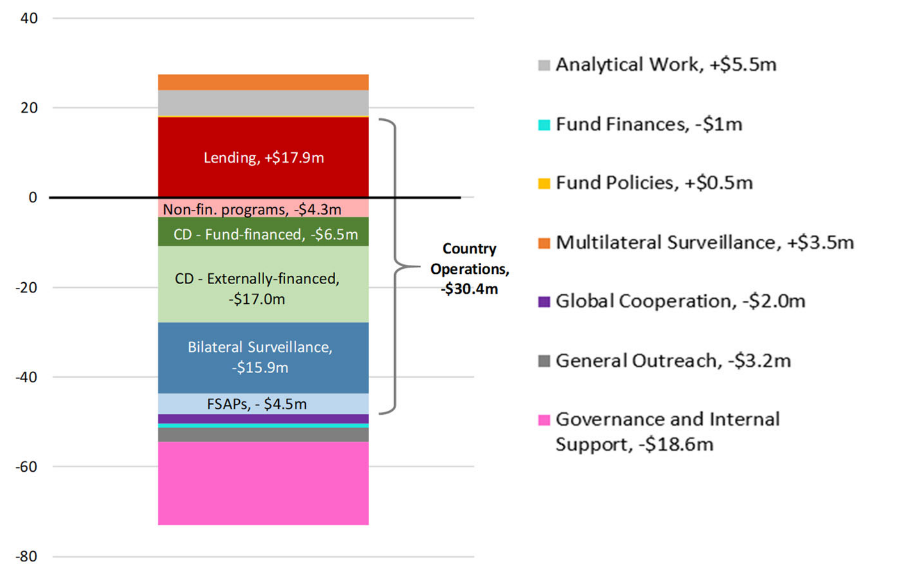
- *Debt*. Policy and analytical work is estimated at $8 million, for debt-related items in the Board's Work Program discussed in FY 20. OBP will begin tracking debt-related work in future surveys.

D. Spending Relative to FY 19

Spending by Thematic Categories

9. **Within country operations, lending activity rose by $18 million in FY 20, with declines in bilateral surveillance and CD (Figure 3).** Total country operations declined by $30 million, about half of which reflects the change in country status, as countries moved from surveillance to program engagement, as well as the suspension of FSAPs and Article IV consultations late in the year. The decline in spending on non-financial programs of $4 million partly reflects a similar shift into programs (e.g., Haiti, Somalia). In addition, some programs were augmented in the last two months of the financial year (e.g., Madagascar, Pakistan). Fund and externally financed CD also fell by some $23½ million, reflecting travel restrictions, albeit with delivery continuing virtually. Some resources originally planned for CD delivery were also diverted to analytical work (e.g. COVID-19 notes), given CD delivery constraints. Looking ahead, the next Committee on Capacity Building meeting has been delayed to January 2021, to better assess the impact of the crisis on members' CD needs. FSAP spending declined by $4½ million (20 percent), partly from the crisis-linked FSAP suspension, some conversion to virtual missions, but also reflecting the tail end of the cycle of mandatory FSAPs. Overall, 9 FSAPs were completed in FY 20 vs. 12 in FY 19. This decline was partly offset by an increase in Monetary and Capital Markets Department (MCM) spending on other bilateral surveillance of $1 million (15 percent).

Figure 3. Change in Spending by Thematic Category, FY 20 vs. FY 19[1/]
(Millions of FY 20 U.S. dollars)



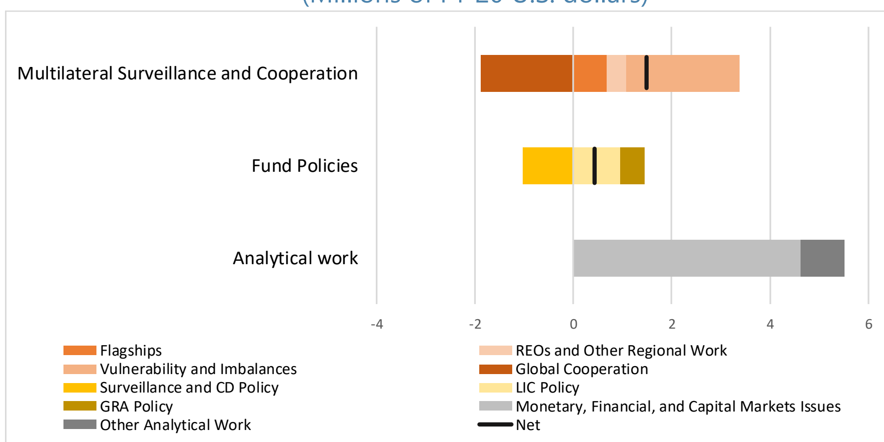
Source: ACES. Mapping to FTF are staff estimates. General outreach shown separately.
1/ Direct spending by departments, with support and governance costs shown separately.

10. **The COVID-19 outbreak also contributed to reduced spending on governance and internal support, which declined by close to $19 million relative to FY 19**. COVID-19 related reductions totaled $8 million, including reduced spending on the April 2020 Spring Meetings, utilities, and settlement travel. Lower publication costs from moving toward digital products and a one-time reimbursement of legal fees also contributed to this reduction.

11. Spending on analytical and policy work increased, reflecting priority topics and crisis work (Figure 4). A $5½ million (6 percent) increase in Analytical Work reflects a ramp up in modeling and other macro-financial work in MCM, including on the Integrated Policy Framework and other MCM issues (light grey segment). Increases related to Multilateral Surveillance and Cooperation reflect work on analyzing the impact of COVID-19 in FY 20 Q4. In this context, work on vulnerability and imbalances (medium brown right most segment in the multilateral surveillance block), grew by $2.3 million (19 percent). A decline in work on statistical information/data, as seen in a drop in the Global Cooperation category, reflects restructuring of Statistics Department's (STA)~~'s~~ data function, which has entailed temporary vacancies which are being filled gradually during FY 20 and FY 21 as STA builds up its new data analytics capabilities.[4] Spending on Fund policies increased slightly in net terms ($0.5 million), reflecting reduction in policy work related to surveillance and CD (medium orange segment) and increase on work related to lending (Low-Income Countries (LIC) and General Resource Account (GRA), light and dark orange segments) which were urgently adapted for the COVID-19 situation (e.g. conditions for emergency financing, Catastrophe Containment and Relief Trust (CCRT), new Short-term Liquidity Line).

Figure 4. Change in Spending: Non-Country Work, FY 20 vs. FY 19[1/]

(Millions of FY 20 U.S. dollars)



Source: Office of Budget and Planning, ACES.

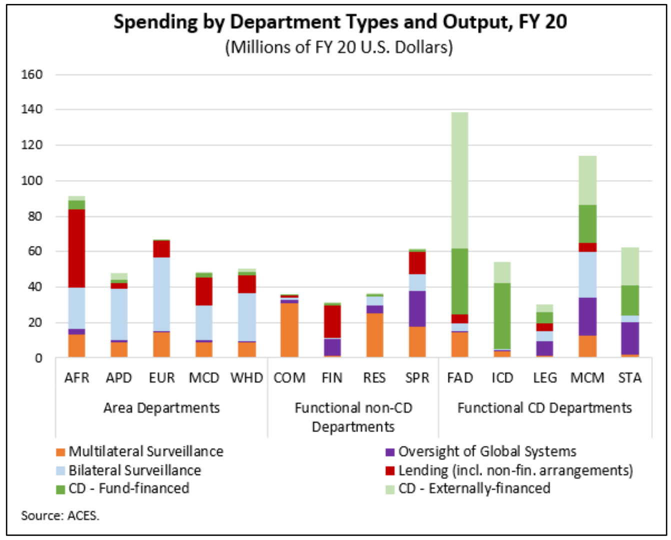
1/ Department-level spending; does not include support and governance costs. Fund-financed only.

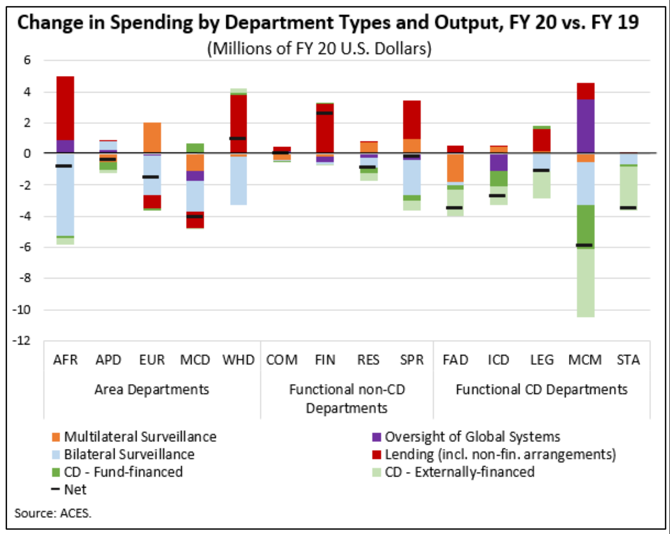
[4] See Overarching Strategy on Data and Statistics at the Fund in the Digital Age, March 2018.

Box 1. Spending Patterns by Departments

Typical spending patterns vary by department groups (text chart). Area departments focus on surveillance (light blue) and lending (red), and regional and other cross-country analytical work, as captured in multilateral surveillance (orange). Functional CD departments deliver CD (dark and light green), while also preparing flagships (Fiscal Affairs Department (FAD), MCM) and supporting area departments in surveillance and lending through direct participation in country teams and review. Non-CD functional departments' outputs are more varied; multilateral surveillance (orange) captures flagship and other analytical work (Research (RES), also on vulnerabilities and imbalances (SPR), and general outreach (Comunications (COM). The Fund's global oversight role (purple) is carried out by multiple functional departments (SPR, FIN, Legal (LEG), MCM, STA).

The departmental spending patterns show how the aggregate trends translated across the Fund, with area departments seeing increases in spending on lending (text chart), with knock-on effects, particularly to SPR and FIN, in reviewing a high volume of cases in a short period of time. CD departments reallocated from CD spending to support other areas (e.g. MCM's work on modeling and the integrated policy framework).





[1/] The text charts here present disaggregated information according to traditional output-based categories, and cover core outputs only (not including support functions and internal governance-related work). Aggregate information throughout Section 1 is based on the draft "Fund Thematic Framework," which updates these categories. Further work is required to make this available at a departmental level. The definition of "multilateral surveillance" has been narrowed in the FTF, with analytical work and global cooperation reported separately. Items captured under "Oversight of Global Systems" are captured in the FTF under Analytical Work, Fund Policies, Global Cooperation, and Fund finances.

Average Spend per Country

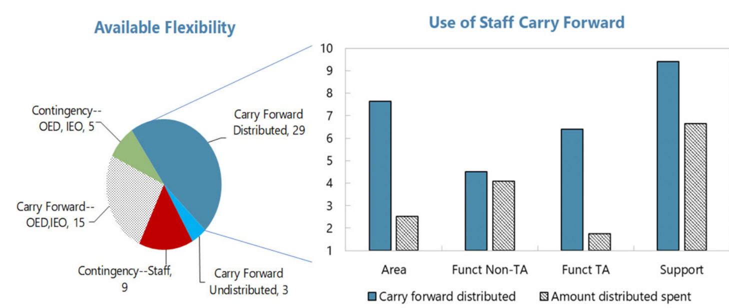
12. **Though the average spend per country declined (reflecting the travel suspension), there were variations among country groups (Figure 5).** Average country spending across the membership declined 7 percent relative to FY 19, to $2.1 million. The increase in lending activity was more than offset by the declines in bilateral surveillance (including FSAPs) and CD. The increment in average spend between surveillance and program status remains the same, as noted in the Supplement to the FY 21-23 Medium-term Budget, at $1-2 million. Subgroups showed more varied patterns, with a 5 percent increase in average spending in vulnerable countries (Panel 2), particularly

B. Carry Forward

21. The carry forward resources that were made available to finance transitional needs remain intact, as use by some departments was offset by underspending by others (Figures 12 and 13). The FY 20 budget included $31 million in carry forward, available for general use, plus $15 million for Offices of the Executive Directors (OED) and the Independent Evaluation Office~~OED and (~~(IEO). Of the carry forward for general use, $22 million was distributed upfront to departments to meet transitional needs, and an additional $7 million during the year to meet unanticipated demands. However, most departments had a lower-than-expected need, predominately because of mission cancellations. Financing for transitional needs was provided to the following priority areas:

Figure 12. Available Resources and Use of Carry Forward, FY 20

(Millions of FY 20 U.S. dollars)



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

Source: Office of Budget and Planning.

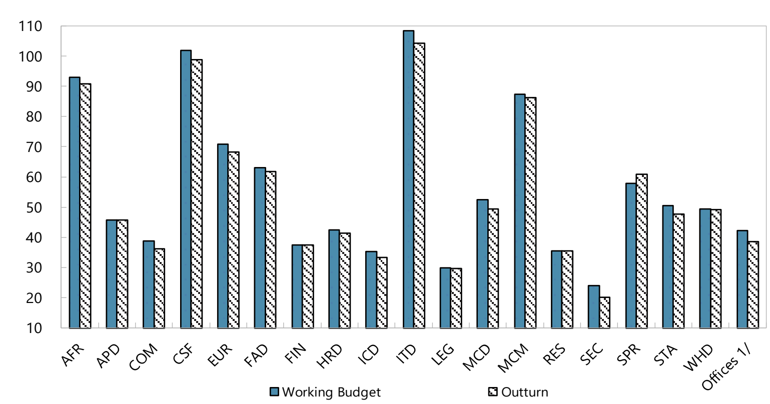
- **Modernization initiatives** (support departments): Comprehensive Compensation and Benefit Review (CCBR); 1HR; Digital Workplace; knowledge management; CDMAP and iData; and additional costs related to information security access control and infrastructure vulnerability management on systems for these projects.

- **Fragile states** (most area departments)**:** intensified country engagement.

- **Other priority areas** (mainly functional departments)**:** enhanced governance framework; international taxation; trade; digital economy; Sustainable Developmental Goals (SDG); bilateral financial surveillance; and various policy and analytical initiatives including macro-financial issues and a modeling unit in MCM (e.g. integrated policy framework), and a structural reform unit in RES.

Figure 13. Spending by Main Departments and Offices, FY 20

(Millions of U.S. dollars)



Source: Office of Budget and Planning.
1/ Includes OBP, ORM, OMD, OIA, overseas and other small offices.

CAPITAL SPENDING

22. Spending on capital investments amounted to $107 million in FY 20, a reduction of $34 million from last year (Table 8). Approximately $88 million in remaining appropriated funds will carry over to FY 21.[9] FY 20 saw the substantial completion of the HQ1 renewal project, investments to reoccupy the HQ buildings with updated furnishing and equipment, and progression of the IT modernization program.

Table 8. Capital Expenditures, FY 20
(Millions of U.S. dollars)

	Facilities	IT	Total Facilities and IT	HQ1 Renewal	Total Capital
Unspent FY 18 and FY 19 Funding	48	23	71	39	110
+ FY 20 Budget Appropriations	41	45	86	0	86
= Total funds available in FY 20 1/	89	68	157	39	196
Expenditures FY 20	42	42	84	23	107
Lapsed funds	2	0	2	0	2
Carry over into FY 21 2/	45	26	71	16	88
Memorandum item:					
Expenditures FY 19	29	31	60	82	141

Source: Office of Budget and Planning
1/ Approved capital funding is available for three consecutive years, except for HQ1 Renewal which is available until April 2025.
2/ Represents 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.

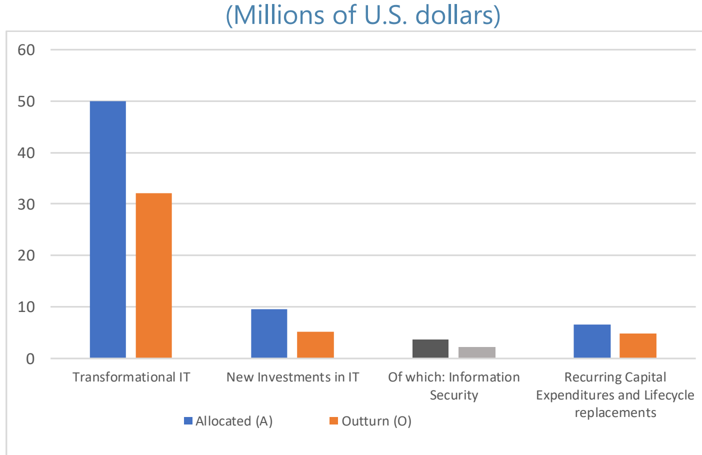
- The utilization of available capital budgets for IT (62 percent) and Facilities (47 percent) were broadly in line with pre-COVID-19 projections. On the IT side, there was some minor repurposing of budget to enhance security for the business continuity center, which supports the heavy remote work environment.

IT Capital Spending

- Within overall IT capital expenditure of $42.2 million, 76 percent ($32.1 million) supported the implementation of the modernization projects (Figure 14).

- **1HR** activities proceeded mostly as planned in FY 20, with expenditures of almost $18 million. The initial release to replace the HR inquiries system was deployed in February and helped HRD manage staff questions related to COVID-19. Coordination of testing activities during the work-from-home exercise contributed to the delay of Release 1, which is now expected to be completed in late October/Early November ~~September~~ 2020 (versus April 2020 originally). Release 2, which will incorporate CCBR reforms, payroll and complex benefits, has shifted from October 2020 to the fourth quarter of FY 21.

Figure 14. IT Capital Expenditures, FY 20
(Millions of U.S. dollars)



Source: Information Technology Department.

[9] The Fund's capital budget guidelines allow funds to be utilized over a three-year period.