



IMF POLICY PAPER

FY2017–FY2019 MEDIUM-TERM BUDGET

April 2016

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- A **Press Release** summarizing the views of the Executive Board as expressed during its April 20, 2016 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on March 24, 2016 for the Executive Board's consideration on April 20, 2016.

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FY2017–FY2019 MEDIUM-TERM BUDGET

March 24, 2016

EXECUTIVE SUMMARY

Budget execution in FY 16 suggests high utilization, with margins largely depleted. To meet growing demands under a flat real budget envelope, the Fund has undertaken significant efforts over the past years to manage its resources more efficiently. These culminated in gross savings of close to 5 percent incorporated in the FY 16 budget. With the vacancy rate at a notional frictional level and budget utilization projected to reach close to 99 percent in FY 16, buffers beyond the central contingency have largely disappeared.

Supported by ongoing efforts to reallocate resources to new priorities, a small increase in the real net administrative budget envelope of about ½ percent is requested for FY 17 to cover rising security costs. New structural demands by departments of about \$16 million to implement the Global Policy Agenda (GPA), and \$3 million for the second phase of the Categories of Employment reform adopted last year, will be fully met through internal reallocations and some further institution-wide efficiencies. However, additional funding of \$6 million is requested to meet mounting costs for physical and IT security. Spending in this area has expanded over the last few years, met so far through internal reallocations and temporary financing. As threat levels are not expected to subside in the foreseeable future, security costs can no longer be deemed temporary and will need to be funded explicitly to avoid an arbitrary crowding out of other activities.

Over the medium term, early indications point to upward pressure on net administrative resources in response to rising demands from the membership. Commitments under the GPA range from enhanced surveillance to expanded capacity development in support of the Sustainable Development Goals. Additional resources may also be needed for further security upgrading and to offset certain revenue losses. Finally, the Fund needs to be prepared to further ramp up its program activity in light of rising economic vulnerabilities in many member countries. While determined efforts to identify offsetting savings will continue, their scope may be limited owing to the extensive reprioritization that has taken place over the past years.

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INTRODUCTION

1. This paper sets out the proposal for the FY 17 budget and the medium-term budget outlook. It provides the context in which the net administrative budget has evolved over the last few years (¶ 2–5), reports on its execution (¶ 6–10), lays out the basis for the FY 17 budget request (¶ 11–20), discusses the medium-term budget outlook (¶ 21–28), and presents the proposed FY 17 capital budget envelope (¶ 29–35). In the context of rising demands from the Fund’s membership and ongoing efforts to reallocate resources and achieve efficiencies, a small increase in the net administrative budget envelope for FY 17 is proposed to address mounting and unavoidable security costs. While only indicative at this stage, the medium-term outlook points to continued pressure on resources to meet the evolving needs of the membership for policy advice, financial support, and capacity development.

THE BUDGET IN THE FUND'S STRATEGIC CONTEXT

2. The outlook for the global economy has weakened and risks have increased. Sluggish demand is restraining the recovery in advanced economies, while growth in emerging and developing economies is slowing further. Unresolved crisis legacies, with persistently high unemployment and debt, are impeding a durable recovery, with high volatility in financial markets and capital flows reflecting concerns about the economic outlook and systemic financial risks.

3. In the face of these challenges, the Managing Director’s Global Policy Agenda (GPA) has identified the Fund’s priorities around the principles of agility, integration, and member focus.¹ These priorities are cascaded into the Management Key Goals (MKGs) to guide the definition of specific departmental work plans (Box 1 and Appendix I). Against the background of continued refinement and upgrading of the Fund’s core activities—surveillance, lending, and capacity building—areas of emphasis for FY 17 include: (i) deepening and disseminating cross-country expertise in macro-financial linkages and risks, capital flow management, and structural reforms; (ii) helping countries maintain economic stability in the face of lower commodity prices; (iii) enhancing support in areas critical for the attainment of the 2015 Sustainable Development Goals (SDGs), such as, domestic resource mobilization and infrastructure investment frameworks; and (iv) analyzing and providing policy advice on macro-critical aspects of long-term global challenges, such as climate change, demographics, migration, and inequality.

¹ See [Managing Director’s Global Policy Agenda: Responding to New Realities, October 2015](#) and [The Managing Director’s Spring Global Policy Agenda Decisive Action, Durable Growth, April 2016](#).

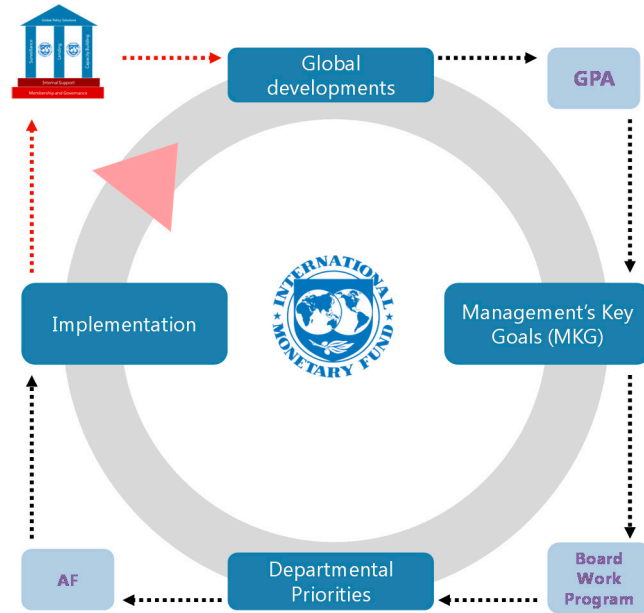
Box 1. The Fund’s Strategic Planning Cycle

The annual planning cycle starts with the elaboration of Management’s strategic priorities in the context of the GPA. Drawing on the GPA and the Fund’s periodic institutional risk assessment, Management then translates institutional objectives into MKGs for the coming financial year. The GPA and guidance from the IMFC are embodied in the Executive Board’s Work Program.

The next phase of the planning process is structured around the Accountability Framework (AF), through structured discussions between Heads of Departments and Management on key departmental objectives, including on budget and HR priorities.

Budget formulation flows from this strategic planning framework, with the overall envelope and resource allocation set to ensure the delivery of the institution’s priorities.

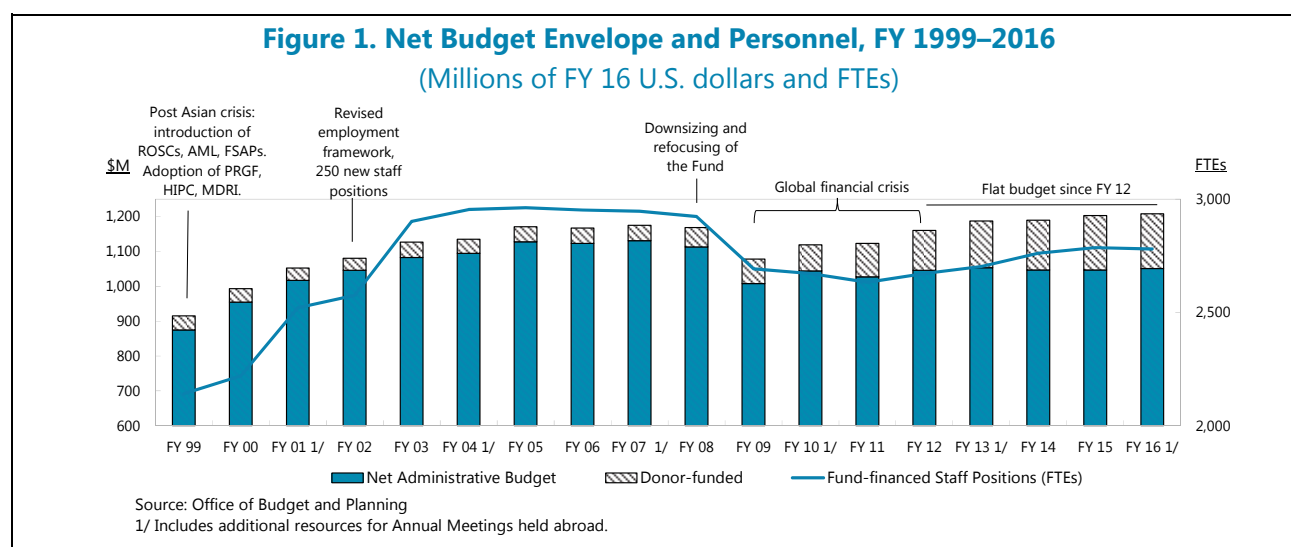
Within the Accountability Framework, Management holds semi-annual discussions with each departmental senior management team to discuss progress made on current strategic priorities and to review performance against budget and people management indicators. New goals and targets are also discussed for the period ahead.



BUDGET DEVELOPMENTS IN RESPONSE TO EVOLVING DEMANDS

4. Looking back at developments since the late 1990s, the Fund’s budget has responded flexibly to new and evolving priorities and fluctuations in the global economy (Figure 1). In the aftermath of the Asian crisis, the adoption of a number of new initiatives and reforms resulted in successive budget expansions. The overall budget envelope, excluding donor funding, stabilized at a higher level in FY 05–08, when very low lending (and income) levels prompted a sizeable downsizing to achieve budgetary savings of some 13 percent. With the global crisis erupting shortly after, staff activities shifted toward addressing the crisis and the large increase in country program work, while workload indicators deteriorated significantly. In FY 11, temporary “crisis” resources were allocated to address the substantially higher workload, and in FY 12, a structural budget increase of 3 percent was approved in recognition of the Fund’s enhanced role relative to the pre-crisis period. Since then, while crisis needs receded, the temporary budget was effectively absorbed to finance evolving priorities and additional demands placed on the Fund to respond to new challenges.² Still, with about 45 percent of the savings from the downsizing preserved in real terms, the overall budget envelope remains significantly below its pre-crisis peak and has been kept flat for four consecutive years.

² For a detailed accounting of the use of these resources, see [FY2015–FY2017 Medium-Term Budget](#) and Box 4 of [FY2016–FY2018 Medium-Term Budget: Selected Streamlining Proposals Under the FY2016– FY2018 Medium-Term Budget Implementation Issues](#).



5. To help meet new demands under a flat budget, the Fund has undertaken significant efforts to manage its resources more efficiently, reallocate, and increase its flexibility to respond to shocks. These include:

- *Better utilization of available resources.* Over the past few years, some \$35 million were reallocated to provide additional resources to departments through the release of various margins, such as the savings generated by a change in the budget deflator methodology, an adjustment to the grossing-up formula for the Staff Retirement Plan, an overhaul of overseas allowances, and improvements in travel management to reduce the average cost per mile. Departments have also been given additional flexibility to hire above their allocated budget position limits, subject to their dollar budget constraint.
- *Carry forward.* The policy to carry forward unspent administrative budget allocations to the next year, up to a certain limit, was introduced in the FY 10 budget.³ Apart from reducing incentives for inefficient end-year spending, over the past several years, the carry forward (at just under \$30 million since FY 13, excluding OED and IEO) has provided the flexibility to meet temporary and unexpected demands without the need for additional budget allocations.
- *Central contingencies.* Central contingency reserves were drawn down from \$14 million in FY 13 to \$4 million in FY 15 to help with budgetary pressures on a temporary basis. In FY 16 the reserve was replenished to \$8 million.⁴
- *More explicit departmental reprioritization.* Since FY 15, departments have been asked to make explicit savings proposals in their budget submissions alongside their requests for new resources. This has supported more explicit and in-depth discussions on aligning work programs with evolving priorities.
- *Cross-cutting streamlining initiative.* In the context of planning the FY 16 budget, an advisory group of senior staff proposed a package of cross-cutting streamlining and efficiency measures which,

³ The maximum carry forward for general administrative expenses was revised down from 6 to 3 percent starting with the FY 12 budget, while the carry-forward limits for the OED and IEO were kept at 20 and 5 percent, respectively. The majority of carry-forward funds outside the OED and IEO—those generated by unspent personnel resources—accrue to the center and provide scope to finance temporary and unexpected demands in the following year.

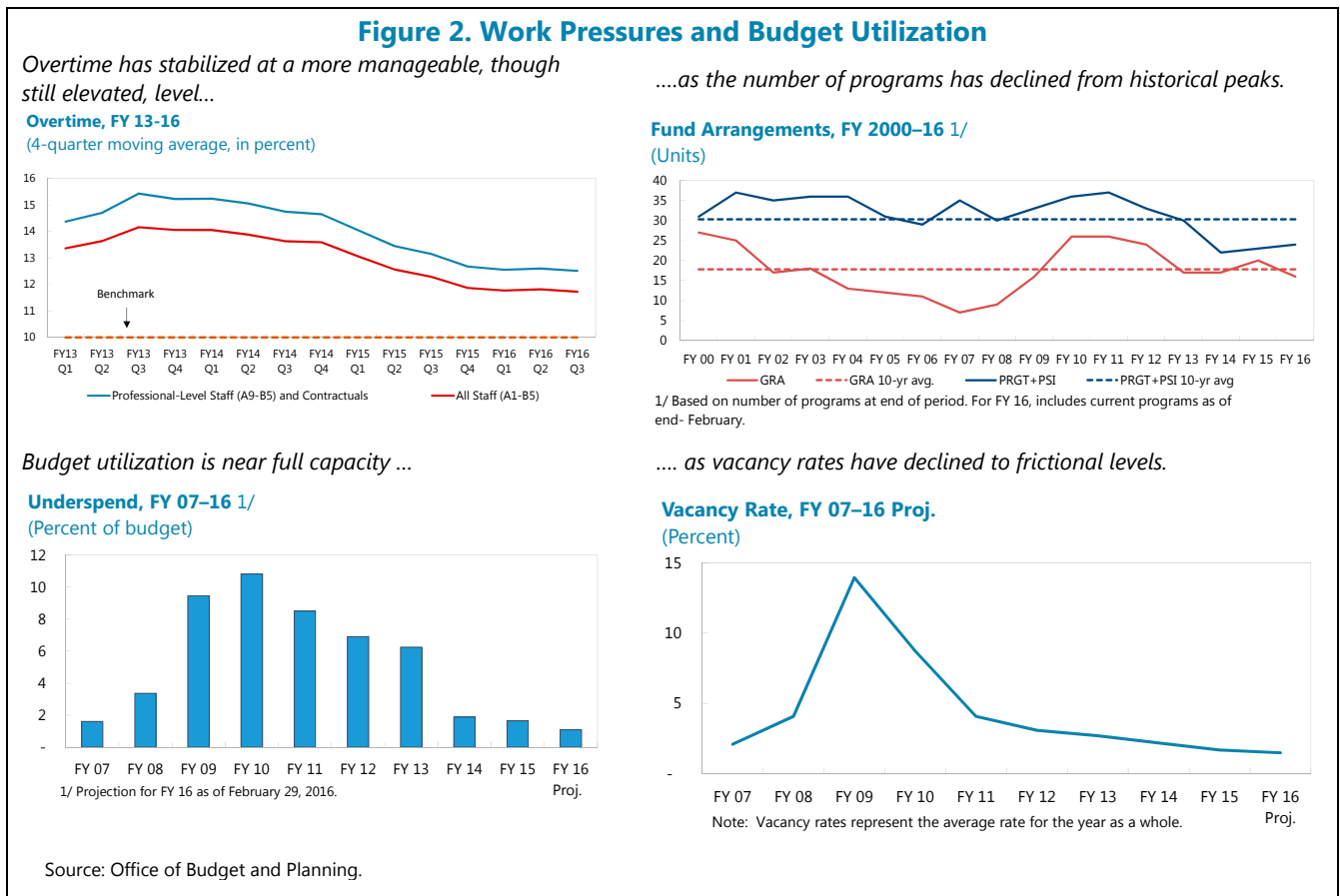
⁴ Excluding the separate contingencies for the OED and IEO.

together with departments’ own savings initiatives, resulted in a planned *ex ante* reallocation of resources of close to 5 percent of the net administrative budget.

- *Departmental contingency planning.* Starting this year, departments have been asked to define, within their budget plans, those projects and activities that they could delay or scale back in the event of unanticipated demands or pressures. Clarifying these measures upfront is intended to facilitate the quick reallocation of resources within a year should priorities shift, for example, in response to an unexpected increase in the number of program requests.

BUDGET EXECUTION AND RESOURCE PRESSURES

6. Work pressures have come down from previous peaks, but overtime is still at an elevated level (Figure 2). A reduction in the number of programs from its peak in FY 10/11, together with continued efforts to make more efficient use of available budgetary resources, has helped bring down overall work pressures. At the same time, the growing complexity of the global economy puts pressure on the Fund’s surveillance work and has resulted in increased requests for technical assistance. As a result, pockets of high overtime remain, and a further reduction overall would be desirable.⁵ The vacancy rate is at a notional frictional level, and budget utilization has continued to improve and is at the highest rate in recent years. Thus, buffers beyond the central contingency have largely been eliminated.



⁵ Also, the 2015 Staff Survey indicates that many staff feel that the amount of work is not the only indicator of work pressures.

7. The budget utilization rate in FY 16 is expected to amount to about 99 percent:⁶

- *Personnel spending (outside externally-funded activities) is expected to be close to the budgeted level (text table and Table 1). As most departments are now fully staffed, the vacancy rate in FY 16 is expected to average 1.5 percent, down from 1.7 percent in FY 15.*

- *Travel expenses are also projected to end the year near budget (see also Table 2). While travel volume in some regions increased, not all planned missions were able to take place, in part due to security concerns in high-risk locations (HRLs). This shortfall was, in some instances, offset by costlier travel to alternative locations and higher security cost for HRL travel that took place. Savings continue to be achieved through better travel management practices in departments, such as earlier ticketing.*

Net Administrative Budget: Estimated Outturn, FY 16
(Millions of U.S. dollars)

	Fund-financed		Donor-funded	
	Approved Budget	Estimated Outturn	Approved Budget	Estimated Outturn
Gross expenditures	1,091	1,075	157	140
Personnel	804	792	103	91
Travel	89	87	41	38
Buildings and other	187	197	12	11
Contingency 1/	10	0	0	0
Less: receipts	39	36	157	140
Net expenditures	1,052	1,040	0	0
<i>Memorandum items:</i>				
Carry forward from previous year	42			
Total net available resources	1,094			

Sources: Office of Budget and Planning, and PeopleSoft Financials.

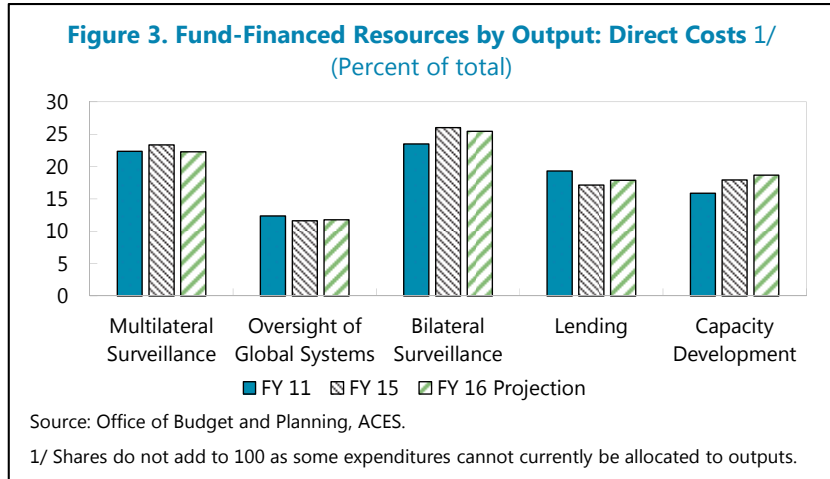
Note: Figures may not add to totals due to rounding.

1/ Represents the contingencies for staff, OED and IEO.

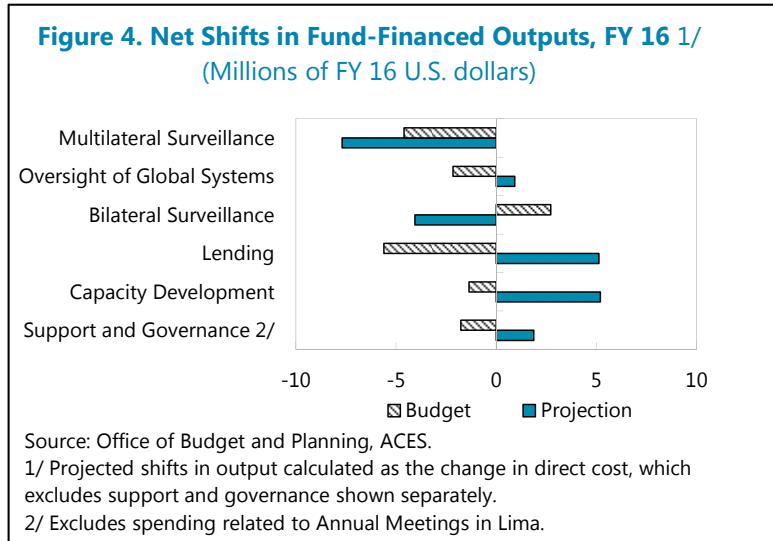
- *Spending on buildings and other (non-personnel and non-travel) administrative expenses are expected to modestly exceed their planned level (see also Table 3). Contributing factors include higher-than-budgeted expenditures for operating costs of overseas locations, related largely to additional security measures, increased demand for interpretation and translation services, as well as increased costs for economic data subscriptions. Partially offsetting savings were achieved through the TransformIT initiative.*
- *Receipts are expected to fall short of projected levels (Table 4). In particular, rental income from the Concordia and revenues from cost-sharing arrangements with the World Bank are projected to be lower than budgeted, reflecting overall savings in the expenses shared between the Fund and the Bank.*
- *Finally, externally-funded activities (captured symmetrically in expenses and receipts) will be below budgeted levels, owing to lags in finalizing financial arrangements for a number of capacity development projects and in posting long-term technical assistance experts in beneficiary countries, as well as security concerns in HRLs.*
- *Notwithstanding the limited underspend relative to budget, the carry forward into FY 17 again is expected to amount to just under \$30 million (excluding OED and IEO).*

⁶ See Appendix II for more details on the projected budget execution in FY 16.

8. In terms of outputs, a shift of resource use from crisis management to crisis prevention leveled off in FY 16, with early indications of some rebound in program activity (see Figure 3 and Table 5). The share of lending in the Fund’s total output declined significantly between FY 11 and FY 15, and the freed-up resources were redeployed to step up crisis prevention through surveillance and capacity development. Preliminary projections for FY 16, based on data for the first eight months, suggest a slight pick-up in lending activity, as a share of the Fund’s output.



9. The net shifts in outputs broadly reflect FY 16 budget objectives, but also new developments and emerging priorities (Figure 4).⁷ Resources devoted to multilateral surveillance appear to have decreased even more than expected, in part reflecting reduced work on the development of new tools to assess risks and vulnerabilities, streamlining of the Fiscal Monitor and other cross-cutting analytical work, and a reduction in associated outreach. Spending on lending has increased, due to greater program work relative to what was assumed in the budget. This is in part offset by lower spending on bilateral surveillance, as country teams have shifted part of their time from surveillance to program work. The small uptick in oversight of global systems reflects more intense work on the review of the SDR basket relative to what was anticipated. Responding to strong demand, capacity development activities increased relative to projections, as did spending in support departments in part due to higher security costs.



10. The net change in outputs masks a large reallocation of resources to new priority areas made possible by significant savings and efficiency gains incorporated in the FY 16 budget. The large majority of measures from the cross-cutting streamlining package, approved as part of the FY 16 budget, has been either implemented or is in the process of implementation (see text table). In addition, departments implemented their own savings measures equivalent to about \$20 million. These

⁷ Additional output estimates are provided in Tables 6 and 7.

freed-up resources were used to: (i) replenish the central contingency; (ii) fund new institution-wide demands (including the first phase of the Categories of Employment reform and the free data initiative); and (iii) channel resources to new priorities, such as those arising from the recommendations of the Triennial Surveillance Review. However, net savings, in the end, proved insufficient to achieve the planned reduction in uncompensated overtime to no more than 10 percent. While uncompensated overtime declined slightly from last year, it still averaged 12 percent (during May-January), with 13 departments exceeding the 10 percent threshold, versus 14 departments over the same period in FY 15.

Status of FY 16 Cross-Cutting Streamlining Measures	
Agreed Measure	Status
Implemented	
Policy Reviews and periodic reports, and Safeguards Assessments	
Eliminate fixed schedule for most but Surveillance and Conditionality Reviews	Completed and reflected in the last Work Program; requires ongoing implementation
Lengthen periodicity and streamline periodic reports	Completed for FY 16; requires ongoing implementation
Better link Safeguards Assessments to relevant risk factors	Savings embedded in FIN's FY 17 budget (2 FTEs)
Flagships, multilateral surveillance	
Streamline WEO Updates	Completed; reduction in the number of countries included in the calculation of quarterly estimates and projections from 47 to 31
Eliminate WEO Chapter 2	Completed, starting from the 2015 October WEO
Cut length of GFSR	Completed; latest GFSR 117 pages
Streamline WEMD presentations	Completed; streamlined by making more use of existing material
Drop the Fiscal Monitor conjunctural chapter in fall issue	Completed
Other	
Abolish Ex-Post Assessments and replace with succinct assessments in staff reports for new programs	New guidance note issued in March 2016
Establish a web-based project list to better align research with institutional priorities	Completed; web-based database on ongoing research projects established in November 2015
Limit Fund-financing of TA to advanced economies	Enhanced TA monitoring modalities established in August 2015
In Train	
Program reviews, monitoring, and assessments; other multilateral surveillance products	
Move countries from quarterly to semi-annual cycle	Country-based assessment ongoing; move to semiannual review schedule once risks and vulnerabilities are reduced
Raise the threshold for Post-Program Monitoring	Proposal to be brought to the Board after conclusion of review of access limits and precautionary balances
Streamline External Sector Report overview chapter and lighten process in FY 17	Streamlining efforts in train
Weave Spillover Report Chapter 1 into the Fall 2016 WEO	Plans finalized
TA and Internal Processes	
Develop a more efficient APR process, within given policies	Proposal finalized; implementation in FY 17
Implement proposal from zero-based review of IT tools and processes (TransformIT)	Plan for TransformIT is in place and moving forward
Requiring More Work/Consultation	
Enhance TA cost-recovery to ensure a sustainable funding basis	A review of the current model will take place in FY 17
Streamline Administrative Back-Office Functions	Consultations ongoing with departments
Consolidate Risk Work	Initial stock-taking completed; work underway on how to consolidate the various strands

FY 17–19 MEDIUM-TERM BUDGET

Notwithstanding a robust medium-term income position, the Fund, as a public organization, needs to demonstrate prudence in the management of its resources. Nonetheless, the Institution is under increasing strain to deliver on growing commitments to its membership, while the room for reallocation is shrinking. At the same time, with rising vulnerabilities in many member countries already putting pressure on country teams, the institution will need to be prepared for more intensive surveillance, a ramping up of program work, and increased demand for capacity development activities. Finally, rising security costs will also need to be addressed.

A. Summary Budget Proposal for FY 17 and Indicative Medium-Term Outlook

11. The budget continues to be supported by a robust income position. Net operational and surcharge income is expected to remain positive over the medium term. As in prior years, the General Resources Account (GRA) is expected to be reimbursed for the expenses of conducting the business of the SDR department; administering the Poverty Reduction and Growth Trust (PRGT); and administering the Special Disbursement Account (SDA) resources in the Catastrophe Containment and Relief (CCR) Trust. The healthy pace of reserve accumulation is expected to be sustained, although on current projections precautionary balances would remain below the indicative target of SDR 20 billion over the medium term. Looking further ahead, the Fund’s budget would continue to be supported by a positive income position in a “steady state” low credit environment.⁸

12. The main components of the budget proposal are:

- *A net administrative budget for FY 17 of \$1,053 million in constant FY 16 dollars; \$6 million higher than the total FY 16 appropriation after excluding the extra costs of the FY 16 Annual Meetings held abroad (see text table below and Section B).⁹ With an FY 17 Global External Deflator of 1.9 percent (the weighted average of the approved adjustment in the salary structure and the projected U.S. consumer price inflation), the nominal net administrative budget would be \$1,072 million—\$20 million above its FY 16 level.¹⁰ Gross administrative expenses reflect \$160 million in planned externally-funded capacity development activities, representing an increase of \$4 million relative to FY 16.*
- *Two illustrative scenarios for the net administrative budget for FY 18–19 in light of uncertainties about the Fund’s ability to offset rising budgetary pressures (see Section C). Consistent with the current policy assumption under the approved FY 16–18 budget, Scenario 1 maintains the real budget at the proposed FY 17 level (excluding the costs of the Annual meetings abroad). Scenario 2 presents a real increase of up to 1½ percent (\$15 million in FY 16 dollars) over the two outer years. Reflected in both scenarios is an increase of \$36 million in gross expenditures over the medium term; this increase is based on the expansion of externally-funded capacity development activities as proposed*

⁸ For a more comprehensive discussion of the consolidated medium-term income and expenditure outlook, see *Consolidated Medium-Term Income and Expenditure Framework* (www.imf.org) under Policy Paper, April 14, 2016).

⁹ Every third year, when the Fund’s Annual Meetings are held abroad, the budget appropriation has been adjusted upwards to accommodate the additional costs incurred.

¹⁰ The budget envelope includes net expenditures of \$70 million for the Offices of Executive Directors (OED) and \$6 million for the Independent Evaluation Office (IEO) based on an assumed zero real growth envelope, pending approval by the Executive Board.

by the Committee on Capacity Building in response to increased demand from the membership. It reflects the institution’s goals related to Financing for Development, engagement in fragile states, the South Asia Regional Training and Technical Assistance Center (SARTTAC) and other initiatives.

- An increase in the capital budget by about \$20 million in FY 17 (see Section D), mainly to advance the HQ1 furniture replacement to better coincide with the HQ1 Renewal Program, and to establish a contingency for exterior building security improvements at HQ, pending the finalization of concrete plans in response to a recent needs assessment.

Administrative and Capital Budgets, FY 16–19 (Millions of U.S. dollars, unless otherwise noted)						
	FY 16	Proposal FY 17	Scenario 1		Scenario 2	
			Flat Real	Net Adm. Budget	Real Increase of 1.5 %	
			FY 18	FY 19	FY 18	FY 19
Administrative Budget						
Net administrative budget (in FY 16 dollars)	1,052	1,053	1,053	1,058	1,060	1,073
of which:						
Annual Meetings	5	-	-	5	-	5
Additional Security Costs	-	6	...	...	...	...
Net administrative budget (current dollars)	1,052	1,072	1,096	1,127	1,103	1,143
Gross administrative expenditures (current dollars)	1,247	1,273	1,310	1,365	1,317	1,381
Personnel	907	938	...	...	...	...
Travel	130	123	...	...	...	...
Building and other expenses	200	201	...	...	...	...
Contingency	10	11	...	...	...	...
Receipts	196	200	214	238	214	238
Capital Budget						
IT and Facilities Maintenance & Improvements (current dollars) 1/	42	61	61	60	61	60
HQ1 Renewal	132	-	-	-	-	-
<i>Memorandum items:</i>						
Global external deflator (percentage change) 2/	1.9	1.9	2.2	2.3	2.2	2.3
Personnel component (70 percent)	2.4	2.3	2.3	2.3	2.3	2.3
Non-personnel component (30 percent)	0.6	0.8	1.9	2.4	1.9	2.4

Source: Office of Budget and Planning.
 1/ For FY 17–19, includes preliminary estimate to advance the replacement schedule for the HQ1 furniture.
 2/ The GED translates real spending into nominal terms. It consists of two components: (i) the structure adjustment of staff compensation, as approved by the Board, is used for the increase in the personnel component; and (ii) the latest available projection for the U.S. CPI, as published in the April WEO, is used for the non-personnel component. Updates for FY 17 will be incorporated, should these indices change prior to the budget discussion.

B. Administrative Budget Proposal for FY 17

13. A small increase in the FY 17 net administrative budget of \$6 million in real (FY 16 dollars) terms is proposed to meet additional funding needs for security. Despite the challenging outlook, gross savings at the departmental level are expected to be sufficient to finance new structural demands to implement the MKGs and generate net savings of about \$1.5 million. The tightening of departments’ budgets, together with modest cost savings in travel and overseas operations will be sufficient to finance additional resource needs of \$3 million for the second phase of the Categories of

FY 17 Structural Gross New Demands and Savings
(Millions of FY 16 U.S. dollars)

	Departments	Institutional	Total
Demands	15.8	9.0	24.8
of which: Categories of Employment		3.0	3.0
of which: Additional security		6.0	6.0
Savings	17.3	1.5	18.8
Net new resources	(1.5)	7.5	6.0

Source: Office of Budget and Planning.

Employment reform adopted last year. However, additional funding of \$6 million is requested in FY 17 to accommodate higher physical and IT security costs.

Departmental Demands and Savings

14. Guided by the GPA and its translation into the MKGs, departments identified gross new structural demands (excluding security) of \$15.8 million along with gross savings of \$17.3 million.

The largest explicit reallocations will be taking place in area and functional non-TA departments, with the bulk of their new demands targeted to *providing policy solutions* for the membership (MKGs 1-7) which covers those activities across the Fund’s outputs that directly reach members. Gross demands in this area focus on (Figure 5):

- Intensified engagement with new program and near-program countries.
- Deepening work on issues to inform and improve surveillance, including work on commodity prices and capital flows.
- Integration of macro-financial analysis into bilateral surveillance and additional FSAPs to non-systemic countries.
- Work on increasingly important macro-relevant topics, including those related to international taxation, structural reforms, and other long-term global challenges.

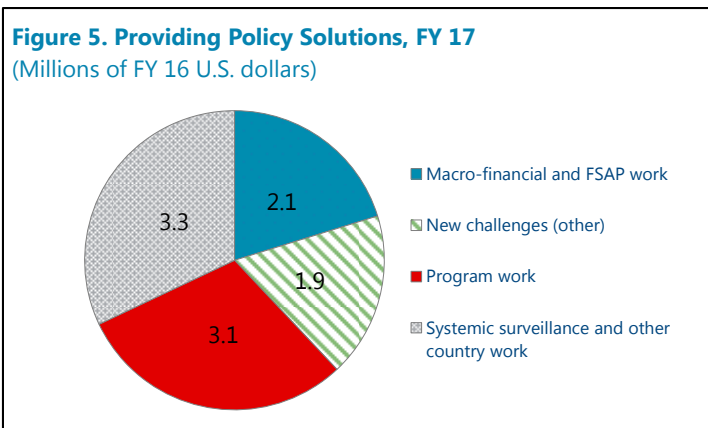
Savings in this area will be achieved by the closure of field offices in countries with concluded programs, the ongoing impact of last year’s streamlining measures, and department-specific efficiency measures.

Explicit reallocations in the other areas (core outputs, enabling environment, and governance and resources) are in the range of \$1–3 million each, with overall savings on a net basis. In addition to their structural allocations, departments will receive again funding, financed from the projected \$29 million carry forward of unspent FY 16 appropriations, to meet transitional needs of about \$14 million—\$4 million more than in FY 16. Specifics on the demands and savings within and across departments are presented in Box 2.

Management Key Goals: Demands and Savings, FY 17
(Millions of FY 16 U.S. dollars)

	Departmental Groups				Total
	Area	Functional TA	Functional Non-TA	Support	
Gross Additional Demands					
Providing policy solutions	5.1	2.7	2.6	-	10.5
Improve core outputs	-	0.1	1.9	-	2.0
Enabling staff environment	-	-	-	2.3	2.3
Strengthen governance and resources	-	-	0.5	0.6	1.1
Total	5.1	2.8	5.0	2.9	15.8
Gross Savings					
Providing policy solutions	6.3	1.8	1.7	-	9.8
Improve core outputs	-	1.0	2.2	-	3.2
Enabling staff environment	-	-	-	2.5	2.5
Strengthen governance and resources	-	0.2	1.0	0.7	1.9
Total	6.3	2.9	4.9	3.2	17.3
Net new demands					
Providing policy solutions	(1.2)	0.9	0.9	-	0.7
Improve core outputs	-	(0.9)	(0.3)	-	(1.2)
Enabling staff environment	-	-	-	(0.2)	(0.2)
Strengthen governance and resources	-	(0.2)	(0.5)	(0.1)	(0.8)
Total	(1.2)	(0.1)	0.1	(0.3)	(1.5)

Source: Office of Budget and Planning.



Box 2. Reallocations Within and Across Departments

Area Departments: Resources allocated to area departments are reassessed annually, based on a model that links the country-specific staffing and travel allocation to the intensity of the Fund’s engagement and the systemic importance of an economy. Reflecting the ongoing reduction in program work, **EUR**’s structural budget will be reduced further. Some of the savings will be shifted to **AFR** to accommodate increased program and near-program activities. **WHD** will generate savings from the closure of two Resident Representative posts in non-program countries, which will be reallocated to fund additional HQ support, and a new Resident Representative post in a prospective program country. **APD** will use internal staffing reallocations to accommodate additional work on China and Japan and on macro-financial surveillance. **MCD** will reduce the staffing on countries with low engagement to enhance work on oil exporters and step up analytical work on the impact and spillovers of conflicts.

Functional Departments: **FAD** will step up work on international tax issues, partly offset by efficiency measures, such as the streamlining of formal technical assistance reports and fewer Selected Issues Papers. **MCM** will scale back policy work in several areas, including the completed SDR review. The savings will be redeployed to operational work on issues such as financial inclusion, capital flows, and de-risking, and to fund additional FSAPs. **STA** will generate savings from its ongoing data modernization effort. Resources saved in **FIN** from completed policy work (e.g., reviews of the SDR basket and precautionary balances) will be reallocated to the 15th review of quotas and additional low-income country work. **FIN** will also realize savings by making safeguards assessments more risk-based. **RES** will intensify work on capital flows, commodity markets, and energy transition, which will be financed by efficiencies related to work on the WEO, spillover analysis, and the External Sector Report. Resources saved in **SPR** from completed policy reviews (e.g., Crisis Programs and Post Program Monitoring) will be reallocated to other planned reviews (e.g., the DSA Framework and Standards and Codes) and to increased work on program and near-program countries. **SPR** will receive additional resources for its contribution to the work on capital flows and the deepening of macro-financial surveillance and macro-structural work.

Support departments: The savings that **ITD** will generate from the implementation of the next phase of its TransformIT restructuring program will be reallocated to meet new priority demands, such as the running costs of capital projects that have come to completion and will need to be maintained and supported from the administrative budget.

In addition, departments will receive about \$14 million for needs that are transitory in nature—\$4 million more than in FY 16. The funds will be used, for example, in **area** departments, to smooth the structural downsizing of **EUR** and further scale up program staffing in **AFR**; in **functional** departments, to support a spike in systemic FSAP work and temporary costs associated with the macro-financial mobility program; and in **support** departments, for certain training and language services.

	Gross demands	Gross savings	Net new demands
(Millions of FY 16 U.S. dollars)			
Area			
	5.1	6.3	(1.2)
AFR	1.5	0.7	0.8
APD	0.9	0.9	-
EUR	0.2	2.1	(1.9)
MCD	0.9	1.1	(0.2)
WHD	1.7	1.5	0.1
Functional TA			
	2.8	2.9	(0.1)
FAD	0.8	0.3	0.4
LEG	0.2	0.2	-
ICD	0.1	-	0.1
MCM	1.7	1.4	0.2
STA	-	0.9	(0.9)
Functional Non-TA			
	5.0	4.9	0.1
COM	-	0.7	(0.7)
FIN	0.3	0.6	(0.2)
RES	0.8	0.8	-
SPR	3.9	2.8	1.1
Support			
	2.9	3.2	(0.3)
CSF	0.5	0.6	(0.1)
ITD	1.4	1.4	0.0
HRD	0.2	0.4	(0.1)
SEC	0.4	0.5	(0.2)
OBP	0.1	0.1	-
RMU	0.2	0.2	0.1
Total	15.8	17.3	(1.5)

Institutional Demands and Savings

Security-Related Expenditures

15. Expenditures on field, HQ, and IT security have increased over the last few years and are set to add further pressure on the budget going forward (Box 3). Since FY 13 alone, spending in these areas is estimated to have increased by about \$5 million in real terms, to more than \$30 million in FY 16. The prospect of a further worsening of the security situation in a number of member countries, combined with potentially growing engagement (e.g., for capacity development) in high-risk locations suggests that field security costs may increase further. Similarly, threat levels at HQ and for IT systems are not expected to subside anytime soon and may well increase. To preserve the safety of staff and adequately protect the Fund’s IT systems, additional funding will likely be required going forward. Rising costs for security are consistent with the experience of other International Financial Institutions. A recent survey of this group shows that physical security costs have increased in 85 percent and IT security costs in 90 percent of the cases. In about half of these institutions, budgets were already adjusted to meet the higher costs, and in another 25 percent a request for a commensurate budget increase is under consideration.

16. Estimates of additional funding needed to cover all security costs amount to \$6 million. While the cost of IT and HQ security can be measured fairly accurately by the spending on personnel and systems dedicated to these functions, the costs associated with field security are more difficult to ascertain given their fragmented, wide-ranging, and uncertain nature. Based on available information, demands for additional resources of about \$6 million, in FY 16 dollars, will need to be placed on the FY 17 budget. They comprise \$2.4 million for identified security needs in FY 16 that will be sustained, but so far were covered by temporary funding, and \$3.6 million for the projected increase in overall security spending in FY 17 relative to the current year. This includes \$1 million in administrative spending from the recommendations of an external assessment of HQ security arrangements, which was commissioned by Management in early 2016. Recommendations on field security arrangements are still being assessed and any associated costs would be included in the FY 18 budget request, while short-term expenses that may arise in FY 17 would be covered from carry-forward funds. Also not included in the budget request is the increased time spent on security matters by Management and staff outside the dedicated units.

17. Going forward, a number of safeguards will be introduced to strengthen the monitoring and reporting of security-related expenses and to ensure value for money. For IT security, the current strategy incorporates recommendations of an external consulting firm. In addition, OIA conducted a review in 2015, confirming that the Fund’s IT security posture had improved substantially since the strategy was initiated, and the improvements were delivered in a cost-effective way. Similarly, all HQ security arrangements—including any enhancements resulting from the recent external assessment—will continue to be monitored on a regular basis. Field security costs, on the other hand, are by nature more erratic and difficult to predict—reflecting, for example, unforeseen changes in the risk classifications of individual countries or security-related evacuations. Hence, actual expenses relative to budget assumptions will be presented to the Board in the context

of next year’s budget proposal. In addition, an independent study is proposed to be conducted after a number of years to scrutinize the ongoing appropriateness and cost-effectiveness of the Fund’s security arrangements.

Box 3. Spending on Security

Since FY 13, administrative security spending is estimated to have increased by about \$5 million in real terms, in part financed from temporary funds. With geopolitical tensions and threats of attacks rising, spending in this area may increase further, requiring a stable funding base.

Security spending encompasses three main areas: HQ security, field security, and IT security.

HQ security costs relate to the protection of the Fund’s staff and physical assets at headquarters (HQ). They mainly cover the costs for security guard services protecting the Fund’s premises. **Field security** costs relate to the protection of Fund staff on mission and those posted overseas, locally hired staff, and all remote physical assets. They cover a range of items, including the work of mission security consultants, private security protection guards, and local security coordinators; temporary relocation/evacuation of overseas personnel due to security risks; purchase and rental of armored vehicles; and rest and recuperation requirements for staff working in high-risk locations (HRLs). Currently, 27 member countries are classified as HRLs, and overseas security incidents have resulted in 13 relocations, evacuations, or mission suspensions during the first 10 months of FY 16. **IT security** costs relate to the protection of the Fund’s network and information assets.

Thus far, part of the spending in the area of field security has been met through transitional financing. These expenditures, projected at about **\$2.4 million** in FY 16, will now need to be funded on a sustainable basis.

The increase in the administrative budget for security in FY 17 is projected at \$3.6 million. The primary additional field security expenses include armored vehicles for high-risk locations as well as security services for missions and field staff. HQ security includes higher administrative support costs for existing guard services, and \$1 million to implement recommendations of an external study on HQ security operations. Administrative costs also include the additional operating cost of completed IT security capital projects. The study also recommends building enhancements that would be funded by the capital budget.

Security Related Spending, FY 13–17 ^{1/}
(Millions of FY 16 dollars, unless otherwise stated)

	FY 13	FY 14	FY 15	FY 16	FY 17
				Est.	Proj.
Administrative expenses	25.5	27.7	28.7	30.4	34.0
Field security	8.4	8.9	7.9	8.5	9.6
<i>Of which: Funded from temporary resources</i>	...	0.5	1.4	2.4	...
HQ security	13.4	13.2	13.7	13.9	15.2
Business continuity	0.6	0.6	0.6	0.6	0.6
IT security	3.1	5.0	6.5	7.5	8.7
	(Percent)				
Spending as percent of administrative budget	2.1	2.2	2.3	2.4	2.7
Capital expenses	3.9	4.6	7.0	5.2	13.4

Sources: Office of Budget and Planning; Area, Technical Assistance and Corporate Services and Facilities departments.

^{1/} Figures represent best estimates as not all security costs are specifically identified as such in the financial systems.

Other Institutional Demands and Savings

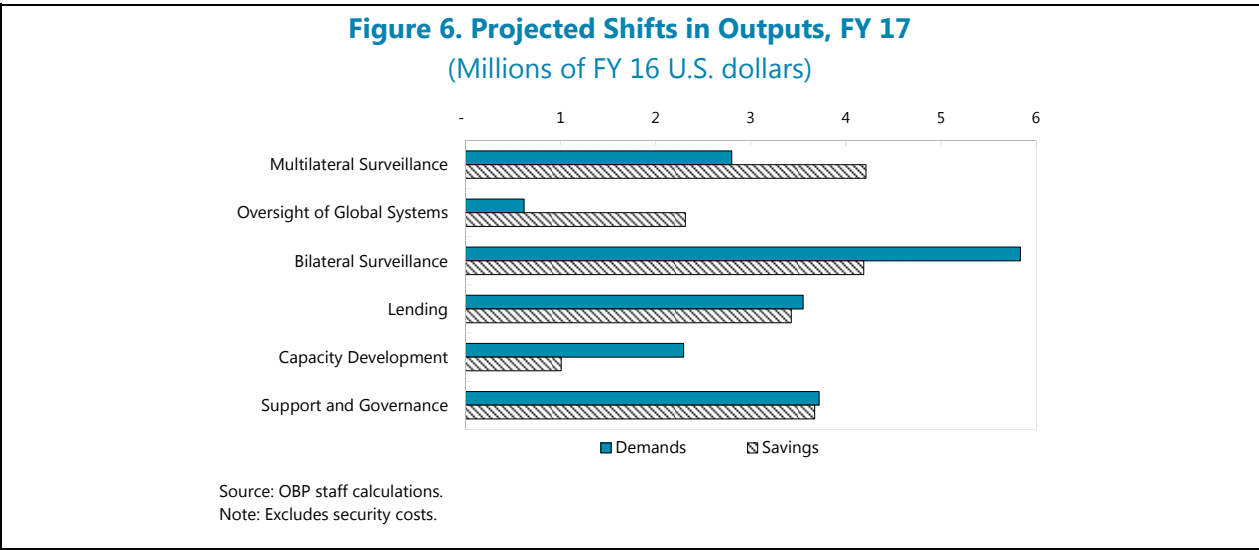
18. About \$3 million will be needed in FY 17 to implement the second phase of the Categories of Employment (CoE) reform. This reform, initiated in FY 16, is designed to better align the employment framework with institutional needs, resulting in the creation of some 120 new staff positions for work previously carried out by contractual employees. Most are in the area of capacity

development, including for externally-funded projects. The impact on the net administrative budget relates to the higher benefit costs of a staff position relative to a contractual. \$2 million was budgeted in FY 16 to convert 36 positions and close to \$3 million is required in FY 17 to convert 53 positions. The implementation will be completed in FY 18, at a remaining cost of \$0.8 million.

19. Continuing the efforts to streamline operations and achieve efficiencies, the proposed budget incorporates additional institution-wide savings of about \$1.5 million. As in previous years, it is assumed that continued improvements in advance ticketing practices will keep the unit cost for travel constant (rather than applying the external non-personnel deflator). In addition, continued savings are expected to be realized in the operation of field offices, helped by a strong U.S. dollar.

Summary Changes in Outputs and Staffing

20. The proposed reallocations would bring about a moderate rebalancing of resources toward country work, though changing priorities in response to new developments could alter the shift in outputs (Figure 6). Resources allocated to bilateral surveillance would increase, reflecting the further integration of macro-financial analysis, an expansion of FSAPs, and work on increasingly important macro-critical topics. Likewise, lending is expected to absorb slightly more resources to accommodate new programs, mainly in emerging markets and low-income countries, with offsetting savings from closures of field offices for concluded programs. The shift in resources toward country work is made possible by a projected reduction in spending on multilateral surveillance and a decline in resources devoted to oversight of global systems. The latter reflects the winding down of work in the area of policy reviews (e.g., debt limits policy) and the review of the SDR basket, together with organizational efficiencies in the area of statistics. Fund-financed resources devoted to capacity development are projected to increase, mainly due to the cost of the CoE reform. Support and governance will be broadly unchanged. The staffing implications by department are summarized in the text table below.



FTE Changes by Department Type, FY 16–17 (Full-time equivalents (FTEs), excluding donor funding)				
	FY 16 Budget	Adjustments, FY 17		Proposed
		New FTEs	Impact of CoE Reform 1/	FY 17 Budget
Area	789	(1.0)	0.3	788
AFR	211	4.0	-	215
APD	112	-	-	112
EUR 2/	195	(5.0)	-	190
MCD	137	-	0.3	137
WHD 2/	134	-	-	134
Functional Non-TA	488	4.0	7.4	499
COM	90	-	1.7	92
FIN	126	(1.0)	3.8	129
RES	105	2.0	1.9	109
SPR	166	3.0	-	169
Functional TA	672	(0.9)	32.6	704
FAD	143	1.2	13.7	157
ICD	114	-	6.8	121
LEG	74	-	3.8	78
MCM	206	2.0	5.9	214
STA	137	(4.0)	2.4	135
Support/Main Offices	490	0.3	12.8	503
CSF	171	(1.8)	0.4	169
ITD	131	-	6.4	137
HRD	90	-	3.4	93
SEC	61	2.0	1.8	65
OBP	16	-	-	16
OIA	16	(1.0)	0.8	16
RMU	6	1.0	-	7
Others	93	-	-	93
<i>of which:</i>				
OMD	24	-	-	24
INV	19	-	-	19
HQT	8	-	-	8
OED/IEO	254	-	-	254
Total	2,787	2.4	53.2	2,842
<i>of which:</i>				
CoE	36	...	53.2	89
Other	2,751	2.4	...	2,753

Source: Office of Budget and Planning.
Note: Figures may not add to totals due to rounding.
1/ The CoE reform is neutral with regard to the size of the workforce, as the creation of staff positions will be fully offset by the reduction in the number of contractual positions.
2/ Includes the shift of 1 FTE to accommodate the move of Aruba and Curacao from EUR to WHD.

C. Medium-Term Administrative Budget: New Challenges in FY 18–19

21. This section presents a preliminary assessment of budget trends over the medium term. They are of an indicative nature and will be reassessed when the FY 18 budget will be considered by the Executive Board. While the institution will continue to focus on reallocation and savings opportunities, a number of factors point to a situation of rising spending pressures. Accordingly, two scenarios are considered: (i) a flat real envelope (Scenario 1); and (ii) a real increase of up to 1½ percent (\$15 million) over FY 18–FY 19 (Scenario 2). In light of existing vulnerabilities, more significant resource needs could arise, if a further weakening in economic conditions triggers additional requests for Fund-supported programs.

Potential Gross Demands

22. While the Fund’s priorities will continue to evolve, meeting the new challenges identified in the GPA will require additional work in a number of areas. The associated resource need (in FY 16 dollars) is tentatively estimated at \$15–20 million during FY 18–19. Such an amount would support an array of activities to enhance the Fund’s ability to provide macro-relevant policy advice to cope with new challenges; strengthen the managing and sharing of knowledge; further supporting the work of international fora (e.g., G-20); and permit a further expansion of capacity development, particularly to help low-income members achieve the SDGs. Finally, resources may be needed to cover additional demands to strengthen security and offset certain revenue losses.

23. Strategically important initiatives aimed primarily at securing global macro-financial stability and enhancing the resilience of member countries could require additional resources, currently estimated at \$5–10 million over the course of FY 18–19.¹¹

- In the area of *capacity development*, it is projected that a gradual increase in externally-funded activities by up to \$40 million in the steady state will be needed to meet the demands of member countries, including the Fund’s commitments under the Financing for Development agenda and other initiatives critical for achieving the SDGs. While the actual scale of additional external funding is uncertain, there is a potential risk that additional demands on the Fund’s own resources can emerge, if indirect costs are not fully recovered.
- A second dimension relates to the continued deepening and mainstreaming of macro-financial and other evolving work to address increasingly important *macro-relevant challenges*. While work on demographics, migration, and other evolving topics is expected to continue, work on international tax issues is projected to expand further over the medium term. Estimates of additional resource needs in these areas will need to be assessed as the work program evolves.
- Further work will also be needed to enhance the *management and sharing of knowledge*, for instance, by making relevant cross-country experience more easily available to inform the Fund’s policy advice to the membership and by increasing the use of commercial data bases. Likewise, delivery of training will need to be enhanced.

24. An additional \$10 million could potentially be needed to address future physical and IT security needs and offset reduced revenues:

- In the area of *physical and IT security*, it is presumed that additional investments will continue to be required to adequately protect the Fund’s staff and resources. Some portion would be associated with further improvements in IT security, consistent with the Enterprise Information Security Program (EISP), which incorporates recommendations of a review by an external consultancy firm. The remainder reflects a highly tentative estimate of increased field security needs (e.g., mission security consultants, armored cars, or security enhancements of residences of

¹¹ Additional demands for office space can be accommodated within the existing footprint in FY 17, but may require bolder actions over the medium term as the Fund is currently operating at virtually full space capacity.

field staff and long-term experts) which will depend, inter alia, on geopolitical developments and the nature of engagement in each specific case.

- Prospective *revenue losses* will further add to funding needs. The 9th floor of HQ2 is currently rented to the World Bank, and the lease contract provides about \$2 million in revenue each year, which helps fund the administrative budget. These revenues will disappear when the contract expires in FY 19 and the space will be used by Fund staff who are currently housed in outside locations (paid for by the HQ1 renewal budget).

25. Finally, while not included in the demand estimates, the rapidly changing information and communication technology landscape would exert pressure on the administrative budget under the current funding approach. The industry is moving toward an increased reliance on cloud computing solutions, coupled with a move toward a model of “renting versus owning” both the hardware and some major software applications. Recent adoption of cloud computing solutions in the Fund (e.g., Microsoft Office 365) reduces the need for capital funding, because the Fund no longer “owns” these applications or the hardware used to run them. While this shift is expected to create overall savings, it also places increased pressure on the administrative budget where annual recurring costs are funded. A similar effect results from a recent shift by a major provider of the Fund’s financial and human resources systems from costly upgrades every five to eight years to small upgrades released at regular intervals throughout the year. Whereas costly periodic upgrades are funded from the capital budget, smaller and frequent upgrades may be more appropriately funded from the administrative budget. The impact of these changes is small in FY 17, and can be offset by other savings measures. However, in the future a different funding model is needed to ensure that these investments are adequately resourced in the administrative budget. Accordingly, staff will consult other organizations and industry experts over the course of FY 17 to develop recommendations for shifting all or parts of the IT capital budget into the administrative budget as part of the FY 18 budget proposal.

Potential Gross Savings

26. Strong efforts to identify reallocation and savings opportunities will continue.

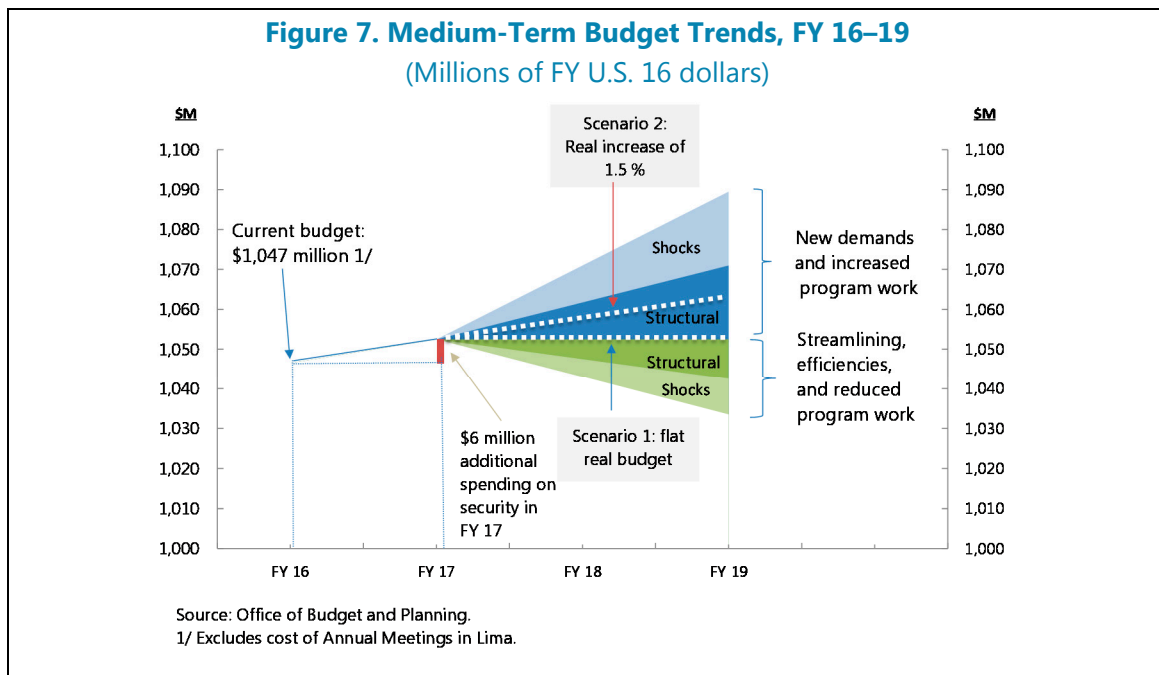
- *IT cost review.* The implementation plan for TransformIT is in place and is moving forward. TransformIT has already delivered substantial savings in both the administrative and capital budgets, where recurring savings of \$3.6 million and one-off savings of \$5.0 million, respectively, will have been realized through FY 17. The plan includes 11 streamlining projects, grouped into three categories: (i) Application & Infrastructure, (ii) Investment Practices, and (iii) Organization and People.
- *CD cost-recovery model.* A review of the current cost-recovery model for externally-funded capacity development activities will take place in FY 17. Drawing on the inputs of an ongoing OIA assessment, the review will make proposals for strengthening the effectiveness and efficiency of the Fund’s cost-recovery model. While care will need to be taken in discussions with donors, and the Fund’s own contributions are important to preserve credibility, it should be feasible to recover

more of the costs relative to the current model and practices (e.g., by fully recovering language services costs for externally-funded projects). Firm estimates will have to await the conclusion of the review, and consultation with the various stakeholders.

Scenario Analysis

27. The current assessment of medium-term demands and savings provides an early indication for moderate upside pressures. Assuming that the above measures would save up to \$5 million, a flat real budget would require additional savings of about \$10–15 million (1–1½ percent) to meet already anticipated increases in demands (Scenario 1). However, with the scope for further streamlining narrowed, a net increase in the budget of 1½ percent over FY 18–19 may be needed to avoid unfunded mandates (Scenario 2). As the Board work program evolves in response to the needs of the membership and demands for our services become more clear, this assessment will need to be reviewed in the period ahead.

28. In addition, potential weakening in the global economic environment presents further risks (Figure 7). While program engagement has gradually abated from the peak following the global financial crisis, risks and vulnerabilities are elevated and have increased relative to last year. Should the recovery halt, additional resources may be needed for more intensive surveillance, and even more so if programs requests increase back to their historical peak. Preliminary estimates point to an additional \$20–25 million over the medium term to support higher country engagement, even with some internal reallocations away from lower-priority activities. This compares with potential savings of \$10–15 million under an optimistic scenario, in which the number of programs would revert to historical lows.



D. The FY 17–19 Capital Budget Envelope

29. Approval is sought for \$61 million of capital funding in FY 17 (current dollars), an increase of \$15 million from the \$46 million envelope assumed in the FY 16–18 Medium-Term Budget. The increase from last year is mainly attributable to two proposals:

(i) to move forward the HQ1 furniture refresh to better coincide with the HQ1 Renewal Program; and (ii) to increase the contingency for exterior building security improvements at HQ, pending the finalization of a comprehensive HQ security plan. In addition to these two projects, the capital budget provides resources for building facility repairs and improvements, enhancements to the Fund’s audio visual (AV) capabilities, and strategic IT investments.¹²

Medium-Term Capital Budgets, FY 17–19
(Millions of U.S. dollars)

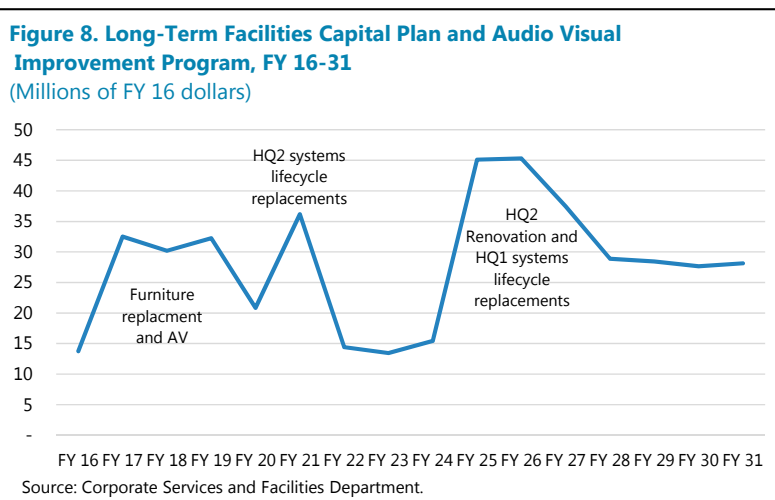
	Approved	Proposed	Estimated	
	FY 16	FY 17	FY 18	FY 19
Total	42	61	61	60
Building facilities	14	33	31	34
<i>Of which:</i>				
HQ1 Furniture replacement 1/	-	10	9	11
Audio Visual	6	5	9	5
Contingency	1	10	1	1
Information technology	28	28	30	26

Sources: Office of Budget and Planning; Corporate Services and Facilities, and Information Technology Departments.

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

1/ Amounts shown for FY 18 and FY 19 are placeholders that will be updated next year following a comprehensive market analysis.

30. The budget for building facilities is guided by the long-term facilities capital plan and the AV improvement program (Figure 8). The long-term plan forms the baseline assumption for the facilities budget. It is reviewed and updated each year to reflect adjustments for building systems requiring replacement earlier than previously anticipated or deferrals for replacements that can be delayed. Significant shifts for FY 17 include the plan to advance the HQ1 furniture replacement and to delay certain improvements, both of which are related to the HQ1 renewal construction delays. While these adjustments will advance a portion of the capital budget, they will not increase cumulative expenditures.



¹² All capital expenditures have an impact on the Fund’s net income but the timing of the recognition of those expenditures varies depending on the nature of the investment. The expenditures for some projects are reflected in net income when the cost is incurred (i.e., expensed), while the expenditures for other projects are capitalized and spread over a longer period of time (i.e., depreciated). Table 8 provides the impact on income of capital investments proposed for FY 17.

31. Incorporating these changes, the FY 17 capital budget includes \$33 million for building facilities as follows:

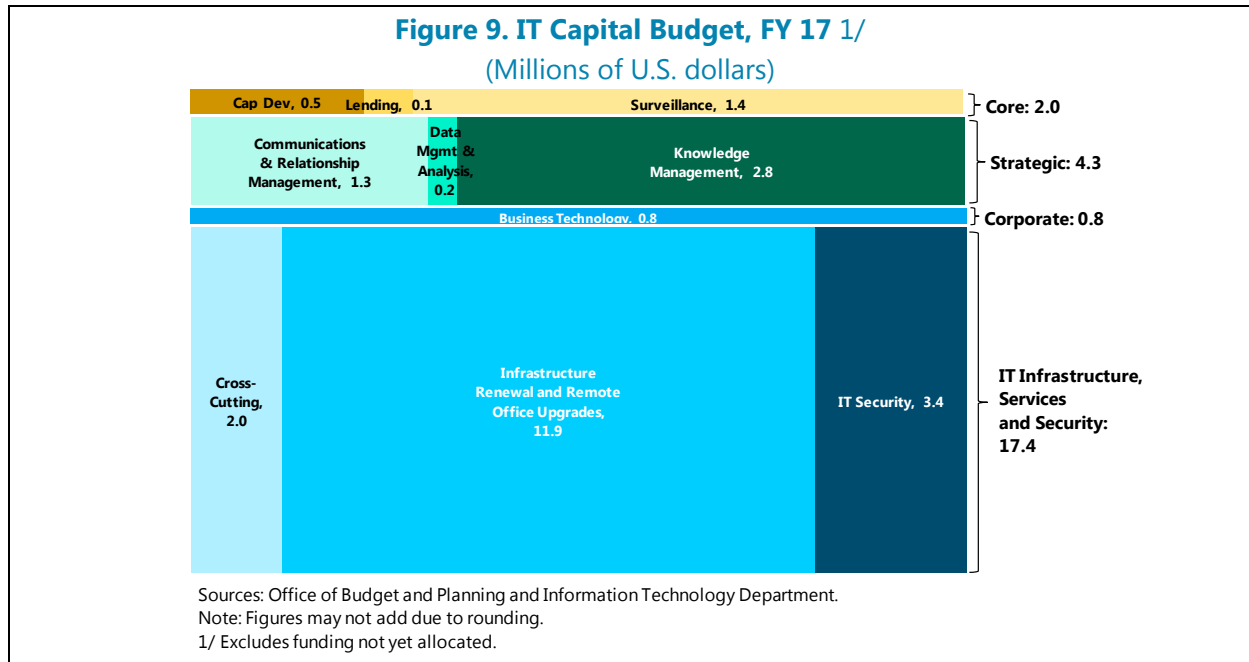
- \$18 million for facilities capital projects. Major projects include: the first-year appropriation for HQ1 furniture replacement, the replacement of deteriorated facilities and event furniture, and a range of required smaller improvements.
- \$5 million for AV improvements, which include fitting out the HQ1 conference rooms, multipurpose rooms, and large venues and collaboration spaces scheduled to open in FY 17.
- \$10 million would be set aside in the capital budget contingency.

32. Investments in IT systems and applications are guided by the Committee on Business and Information Technology (CBIT). The committee, chaired by Management, is responsible for establishing the IT investment priorities, allocating resources across portfolios, and approving investments. Projects compete for funding in part by demonstrating close alignment with the Fund’s institutional objectives. Projects are also assessed on the expected business value; total cost of ownership, including impact on future administrative cost; and implementation risks.

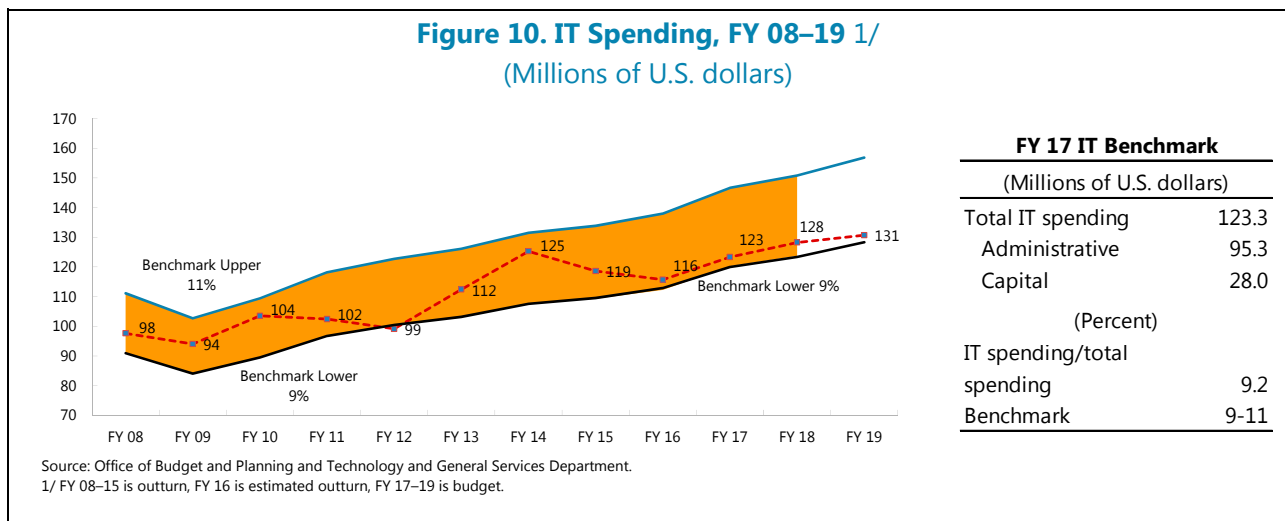
33. The proposed IT capital budget for FY17 is \$28 million and can be broken down by the business capabilities it supports—core, strategic and corporate (Figure 9).¹³ Several initiatives aim to strengthen the Fund’s **core business capabilities**, including developing models to quantify sovereign debt risk; redesigning the IT tools that support the statistical business processes to improve quality and reliability; and implementing a standard framework for reporting systemic stress testing results from the non-Bank financial sector. Other investments will be made to bolster **strategic capabilities**, including knowledge and data management, communications, and collaboration. A few small projects will be funded to address **corporate services** in the areas of human resources and financial systems. **Infrastructure** investments, which make up the largest portion of the FY 17 portfolio, include the end-of-life replacement of workstations and laptops, core servers and storage, migrating capabilities to the cloud, and upgrading the IT performance in field offices. Work also continues on an in-building cellular antenna system in HQ1 to provide voice and data coverage. Projects included in **IT security** focus on continuing the progress of the Enterprise Information Security Program.¹⁴

¹³ Core capabilities provide direct benefits to the membership (surveillance, lending, and CD activities) and strategic capabilities position the institution for the future (knowledge management, data management and analysis, and communications and relationship management). Corporate capabilities are essential for running the Fund, but are not unique to the Fund (e.g., HR and budget management).

¹⁴ In the steady-state, when the planned IT capital projects are fully implemented, the recurrent IT costs to support this portfolio of projects will total about \$0.8 million. The support costs include new licensing fees, software upgrades, and regular IT maintenance. They are netted against savings that are achieved from replacing old technologies and decommissioning systems to arrive at the steady-state increase. The net increase will need to be financed in future administrative budgets.



34. The Fund’s total IT spending is expected to remain in line with the benchmark range that has served as a barometer for many years (Figure 10). IT spending is projected to remain close to 9 percent of total spending, at the lower end of the range established in a benchmarking exercise with other international financial institutions. The exercise compared both total IT spending to overall expenditure and the amount spent to support each workstation. On both counts the Fund’s IT spending has remained within the established benchmarks.



35. Looking ahead, a long-term IT infrastructure plan has been developed to provide a baseline assumption for the purchase and replacement of assets that support the Fund’s IT environment (Appendix III). This approach identifies funding needs for core components of the Fund’s IT infrastructure. The long-term plan indicates when major infrastructure investments will be needed, which may in turn cause a spike in the overall IT capital budget envelope.

Proposed Decisions

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

Proposed Appropriations, FY 17 (Millions of U.S. dollars, unless otherwise noted)

	Other	OED	IEO	Total
Net administrative budget	996.1	70.4	6.0	1,072.5
Receipts	199.0	1.3	-	200.3
FY 16 carry forward (upper limit) 1/	29.1	13.8	0.3	43.3
Total gross expenditures (limit)	1,224.3	85.5	6.3	1,316.1
Capital budget for projects starting in FY 17				60.5
Information Technology				28.0
Building facilities				32.5
Memorandum items:				
FY 16 Net administrative budget	975.1	70.5	5.9	1,051.5
FY 16 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/ Limit is calculated excluding travel to the Annual Meetings in Lima.

Accordingly, 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 2017

- A. Appropriations for net administrative expenditures for Financial Year 2017 are approved in the total amount of US\$1,072.5 million, of which: (a) up to US\$70.4 million may be used for the administrative expenditures of the Offices of Executive Directors, (b) up to US\$6.0 million may be used for the administrative expenditures of the Independent

Evaluation Office, and (c) up to US\$996.1 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 2016 that have not been spent by April 30, 2016 are authorized to be carried forward and used for administrative expenditures in Financial Year 2017 in a total amount of up to US\$43.3 million, with sub limits of (a) US\$13.8 million for the Offices of Executive Directors, (b) US\$0.3 million for the Independent Evaluation Office, and (c) US\$29.1 million for the other administrative expenditures of the Fund.

C. A limit on gross administrative expenditures in Financial Year 2017 is approved in the total amount of US\$1,316.1 million, with sub limits of (a) US\$85.5 million for the administrative budgets of the Offices of Executive Directors, (b) US\$6.3 million for the administrative expenditures of the Independent Evaluation Office, and (c) US\$1,224.3 million for the other administrative expenditures of the Fund.

Decision No. 2: Capital Budgets for Projects Beginning in Financial Year 2017

Appropriations for capital projects beginning in Financial Year 2017 are approved in the total amount of US\$60.5 million and are applied to the following project categories:

- (i) Building Facilities: US\$32.5 million
- (ii) Information Technology: US\$28.0 million

Table 1. Administrative Budget, FY 11–16 1/
(Millions of U.S. dollars)

	FY 11		FY 12		FY 13		FY 14		FY 15		FY 16	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Estimated Outturn
Personnel	774	757	820	799	835	802	861	829	896	862	907	883
Travel	107	94	112	105	125	119	123	117	128	112	130	125
Buildings and other expenses	183	170	181	178	181	180	190	203	193	204	200	208
Contingency 2/	11	0	11	0	18	0	12	0	7	0	10	0
Total Gross Expenditures	1,075	1,021	1,123	1,082	1,159	1,102	1,186	1,149	1,224	1,177	1,247	1,215
Less: Receipts	122	104	138	135	161	154	179	160	197	167	196	176
Total Net Expenditures	953	918	985	947	997	948	1,007	988	1,027	1,010	1,052	1,040
<i>Memorandum item:</i>												
Carry forward from previous years	...		34		41		42		42		42	

Source: Office of Budget and Planning.

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

1/ FY 11 is presented as total available resources (\$953 million), consisting of an approved budget of \$891 million, temporary resources of \$42 million, and an additional amount of \$20 million in carry forward funds. Beginning with FY 12, the methodology changed to show the approved budget and carry forward funds separately.

2/ Represents the contingencies for staff, OED, and IEO.

Table 2. Gross Administrative Expenditures: Travel, FY 11–16
(Millions of U.S. dollars)

	FY 11		FY 12		FY 13 1/		FY 14		FY 15		FY 16 1/	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Expenditures	107	94	112	105	125	119	122	117	128	112	130	125
Business travel	83	73	87	82	98	95	94	91	100	87	104	99
Transportation	83	42	87	48	98	54	94	52	100	48	104	55
Per diem	...	31	...	34	...	41	...	39	...	39	...	44
Seminars & other	14	10	14	11	16	13	18	14	17	15	15	15
Other travel	10	11	11	11	11	11	11	12	11	10	12	11

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) and Lima (\$5 million in FY 16).

Table 3. Gross Administrative Expenditures: Buildings and Other Expenditures, FY 11–16
(Millions of U.S. dollars)

	FY 11		FY 12		FY 13		FY 14		FY 15		FY 16	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. Outturn
Total buildings and other expenses	183	169	181	178	181	180	190	203	193	204	200	208
Building occupancy	61	56	57	56	58	57	58	62	60	61	59	65
Information technology	44	42	43	46	47	47	54	59	57	60	60	58
Subscriptions and printing	16	15	17	17	19	18	20	19	20	20	20	21
Communications	10	9	10	9	10	9	8	9	7	9	7	7
Supplies and equipment	9	8	8	9	7	8	9	8	6	7	8	6
Miscellaneous 1/	44	40	46	41	41	41	42	46	42	47	46	51

Source: Office of Budget and Planning.

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

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 4. Receipts, FY 11–16
(Millions of U.S. dollars)

	FY 11		FY 12		FY 13		FY 14		FY 15		FY 16	
	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Outturn	Budget	Est. outturn
Total	122	104	138	135	161	154	179	160	197	167	196	176
Donor-funded	89	69	107	100	127	118	138	124	154	131	157	140
General receipts 1/	32	35	32	36	34	36	41	36	43	37	39	36

Source: Office of Budget and Planning.

1/ Includes Trust Fund Management Fees.

Table 5. Gross Administrative Expenditures by Output and Category: Fund-Financed, FY 11–16 1/
(Millions of FY 16 U.S. dollars)

	Total						Direct						Support and Governance					
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16 Projection	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16 Projection	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16 Projection
Total	1,001	1,023	1,022	1,052	1,057	1,063	675	695	691	703	707	706	326	328	330	349	350	357
Multilateral surveillance	226	248	243	242	248	239	151	166	163	160	165	157	75	82	80	82	83	81
Oversight of global systems	129	120	118	122	124	126	84	80	80	80	82	83	46	40	38	41	42	43
Bilateral surveillance	243	250	268	282	280	274	159	164	177	185	184	180	85	86	91	97	96	94
Lending (incl. non-financial instruments)	192	198	181	180	177	187	130	137	126	123	121	126	62	62	56	57	56	61
Capacity development	161	171	182	192	193	202	107	116	120	126	127	132	54	55	62	66	66	71
Miscellaneous 1/	49	36	30	35	35	35	45	32	26	29	28	28	4	4	4	6	7	7
<i>Memorandum item:</i>																		
Annual Meetings travel			6			5									6			5

Source: Office of Budget and Planning, ACES.

1/ Totals do not reconcile exactly to the final budget outturns; for example, ACES uses standard costs for personnel rather than actual cost in the financial system.

2/ The "Miscellaneous" classification includes expenditures that currently cannot be allocated within ACES due to missing input data.

Table 6. Gross Administrative Expenditures by Output: Fund- and Donor-Financed, FY 11–16 1/

	Thousands of FY 16 U.S. dollars						Percent of total for the financial year					
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
	Projections						Projections					
Total 2/	1,077	1,128	1,146	1,182	1,191	1,207	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral surveillance	226	248	243	242	248	239	21.0	22.0	21.2	20.5	20.8	19.8
Global economic analysis	94	114	121	121	122	116	8.7	10.1	10.5	10.2	10.2	9.6
WEO	16	17	17	16	17	17	1.5	1.5	1.5	1.3	1.4	1.4
GFSR	13	13	15	14	15	15	1.2	1.2	1.3	1.2	1.3	1.2
General research	21	31	34	37	39	39	2.0	2.7	2.9	3.1	3.2	3.2
General outreach	44	53	55	54	51	45	4.1	4.7	4.8	4.6	4.3	3.7
Cooperative economic policy solutions	28	24	20	22	22	22	2.6	2.1	1.8	1.9	1.8	1.8
Multilateral consultations	7	7	5	6	6	5	0.6	0.6	0.4	0.5	0.5	0.4
Support and Inputs to multilateral forums	21	17	15	16	15	16	1.9	1.5	1.3	1.4	1.3	1.3
Tools to prevent and resolve systemic crises	62	67	65	57	60	57	5.7	6.0	5.7	4.8	5.0	4.7
Analysis of Vulnerabilities and Imbalances	21	19	22	17	16	15	2.0	1.7	1.9	1.4	1.4	1.3
Other Cross Cutting Analysis	41	48	41	36	40	39	3.8	4.2	3.6	3.1	3.4	3.2
Fiscal Monitor	0	0	3	4	3	3	0.0	0.0	0.2	0.3	0.3	0.2
Regional approaches to economic stability	43	43	37	42	45	44	4.0	3.8	3.2	3.6	3.8	3.6
REOs	21	19	13	16	18	21	1.9	1.7	1.1	1.3	1.5	1.7
Surveillance of regional bodies	15	13	12	13	12	10	1.4	1.1	1.0	1.1	1.0	0.8
Other regional projects	7	12	12	13	15	13	0.7	1.0	1.0	1.1	1.3	1.1
Oversight of global systems	130	120	118	122	125	126	12.0	10.6	10.3	10.3	10.5	10.5
Development of international financial architecture	23	27	29	36	39	39	2.1	2.4	2.5	3.0	3.3	3.2
Work with FSB and other international bodies	3	6	6	6	6	6	0.3	0.5	0.5	0.5	0.5	0.5
Other work on monetary, financial, and capital markets issues	19	21	22	30	33	33	1.8	1.9	2.0	2.5	2.8	2.7
Data transparency	38	36	39	39	37	34	3.5	3.2	3.4	3.3	3.1	2.8
Statistical information/data	26	26	27	28	27	27	2.4	2.3	2.4	2.4	2.3	2.3
Statistical manuals	3	4	5	4	3	3	0.3	0.4	0.4	0.3	0.3	0.2
Statistical methodologies	9	7	7	8	6	4	0.8	0.6	0.6	0.6	0.5	0.4
The role of the Fund	69	57	51	47	49	53	6.4	5.1	4.4	3.9	4.1	4.4
Development and review of Fund policies and facilities excl. PRGT and GRA	38	22	20	18	20	22	3.5	2.0	1.7	1.5	1.7	1.8
Development and review of Fund policies and facilities - PRGT	13	17	13	11	10	10	1.2	1.5	1.2	0.9	0.9	0.8
Development and review of Fund policies and facilities - GRA	9	10	9	9	6	6	0.8	0.9	0.7	0.8	0.5	0.5
Quota and voice	6	5	7	6	6	5	0.6	0.4	0.6	0.5	0.5	0.5
SDR issues	3	3	2	3	7	10	0.3	0.3	0.2	0.3	0.6	0.8
Bilateral surveillance	243	250	268	282	280	274	22.6	22.1	23.3	23.8	23.5	22.7
Assessment of economic policies and risks	205	214	233	248	248	245	19.0	19.0	20.3	21.0	20.9	20.3
Article IV consultations	175	169	177	189	182	183	16.2	15.0	15.4	16.0	15.3	15.1
Other bilateral surveillance	30	44	56	59	67	62	2.8	3.9	4.9	5.0	5.6	5.1
Financial soundness evaluations - FSAPs/OFCs	27	27	27	24	21	20	2.5	2.4	2.4	2.1	1.8	1.7
Standards and Codes evaluations	11	9	8	9	10	9	1.0	0.8	0.7	0.8	0.8	0.8
ROSCs	3	2	2	3	3	2	0.3	0.2	0.2	0.3	0.2	0.1
AML/CFT	2	1	1	1	2	2	0.2	0.1	0.1	0.1	0.2	0.2
GDDS/SDDS	6	5	4	5	5	6	0.6	0.5	0.4	0.4	0.4	0.5
Lending (incl. non-financial instruments)	192	198	181	180	177	187	17.9	17.6	15.8	15.2	14.9	15.5
Arrangements supported by Fund resources	167	173	157	142	136	141	15.5	15.3	13.7	12.0	11.4	11.7
Programs and precautionary arrangements supported by general resources	91	100	88	80	76	79	8.4	8.9	7.7	6.7	6.4	6.5
Programs supported by PRGT resources	76	73	69	63	60	63	7.1	6.5	6.0	5.3	5.0	5.2
Non-financial instruments and debt relief 3/	25	25	24	38	42	46	2.3	2.2	2.1	3.2	3.5	3.8
Capacity development	227	269	297	313	316	334	21.0	23.9	25.9	26.5	26.5	27.6
Technical assistance	175	210	240	259	264	274	16.3	18.6	21.0	21.9	22.1	22.7
Training	52	59	56	55	52	59	4.8	5.3	4.9	4.6	4.4	4.9
Miscellaneous 4/	59	42	39	43	45	47	5.5	3.8	3.4	3.6	3.8	3.9

Source: Office of Budget and Planning, ACES.

1/ Includes Fund- and donor-financed activities, and a small amount that ACES cannot attribute to a funding source. Support and governance costs are allocated to outputs.

2/ Totals do not reconcile exactly to the final budget outturns; for example, ACES uses standard costs for personnel rather than actual cost in the financial system.

3/ Includes, among others, Policy Support Instrument (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Heavily Indebted Poor Countries (HIPC), Catastrophe Containment and Relief Trust (CCRT), and trade integration mechanisms.

4/ The "Miscellaneous" classification includes expenditures that currently cannot be allocated within ACES due to missing input data.

Table 7. Gross Administrative Expenditures by Output: Fund-Financed, FY 11–16 1/

	Thousands of FY 16 U.S. dollars						Percent of total for the financial year					
	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
						Projection						Projections
Total 2/	1,001	1,023	1,022	1,052	1,057	1,063	100.0	100.0	100.0	100.0	100.0	100.0
Multilateral surveillance	226	248	243	242	248	239	22.6	24.3	23.8	23.0	23.5	22.4
Global economic analysis	94	114	121	121	122	116	9.4	11.1	11.8	11.5	11.5	10.9
WEO	16	17	17	16	17	17	1.6	1.7	1.7	1.5	1.6	1.6
GFSR	13	13	15	14	15	15	1.2	1.3	1.5	1.4	1.4	1.4
General research	21	31	34	37	39	39	2.1	3.0	3.3	3.5	3.6	3.7
General outreach	44	53	55	54	51	45	4.4	5.2	5.4	5.2	4.8	4.2
Cooperative economic policy solutions	28	24	20	22	22	22	2.8	2.3	2.0	2.1	2.1	2.0
Multilateral consultations	7	7	5	6	6	5	0.7	0.7	0.5	0.5	0.6	0.5
Support and Inputs to multilateral forums	21	17	15	16	15	16	2.1	1.6	1.5	1.5	1.5	1.5
Tools to prevent and resolve systemic crises	62	67	65	57	60	57	6.2	6.6	6.4	5.4	5.7	5.4
Analysis of Vulnerabilities and Imbalances	21	19	22	17	16	15	2.1	1.9	2.1	1.6	1.6	1.4
Other Cross Cutting Analysis	41	48	41	36	40	39	4.1	4.7	4.0	3.4	3.8	3.7
Fiscal Monitor	0	0	3	4	3	3	0.0	0.0	0.3	0.3	0.3	0.3
Regional approaches to economic stability	43	43	37	42	45	44	4.3	4.2	3.6	4.0	4.2	4.1
REOs	21	19	13	16	18	21	2.0	1.8	1.3	1.5	1.7	1.9
Surveillance of regional bodies	15	13	12	13	12	10	1.5	1.3	1.2	1.3	1.1	0.9
Other regional projects	7	12	12	13	15	13	0.7	1.2	1.2	1.2	1.5	1.2
Oversight of global systems	129	120	118	122	124	126	12.9	11.7	11.5	11.5	11.8	11.9
Development of international financial architecture	23	27	29	36	39	39	2.3	2.6	2.8	3.4	3.7	3.7
Work with FSB and other international bodies	3	6	6	6	6	6	0.3	0.6	0.6	0.5	0.6	0.6
Other work on monetary, financial, and capital markets issues	19	21	22	30	33	33	1.9	2.0	2.2	2.8	3.1	3.1
Data transparency	38	36	39	39	37	34	3.8	3.6	3.8	3.7	3.5	3.2
Statistical information/data	26	26	27	28	27	27	2.6	2.5	2.6	2.6	2.6	2.6
Statistical manuals	3	4	5	4	3	3	0.3	0.4	0.4	0.4	0.3	0.2
Statistical methodologies	9	7	7	8	6	4	0.9	0.6	0.7	0.7	0.6	0.4
The role of the Fund	69	57	50	47	49	53	6.9	5.6	4.9	4.4	4.6	5.0
Development and review of Fund policies and facilities excl. PRGT and GRA	38	22	20	18	20	22	3.8	2.2	1.9	1.7	1.9	2.0
Development and review of Fund policies and facilities - PRGT	13	17	13	11	10	10	1.3	1.7	1.3	1.0	1.0	1.0
Development and review of Fund policies and facilities - GRA	9	10	9	9	6	6	0.9	0.9	0.8	0.9	0.6	0.6
Quota and voice	6	5	7	6	6	5	0.6	0.5	0.7	0.5	0.5	0.5
SDR issues	3	3	2	3	7	10	0.3	0.3	0.2	0.3	0.6	0.9
Bilateral surveillance	243	250	268	282	280	274	24.3	24.4	26.2	26.8	26.5	25.8
Assessment of economic policies and risks	205	214	233	248	248	244	20.5	20.9	22.8	23.5	23.5	23.0
Article IV consultations	175	169	177	189	182	183	17.5	16.6	17.3	17.9	17.2	17.2
Other bilateral surveillance	30	44	56	59	67	62	3.0	4.3	5.5	5.6	6.3	5.8
Financial soundness evaluations - FSAPs/OFCs	27	27	27	24	21	20	2.7	2.7	2.6	2.3	2.0	1.9
Standards and Codes evaluations	11	9	8	9	10	9	1.1	0.9	0.7	0.9	1.0	0.9
ROSCs	3	2	2	3	3	2	0.3	0.2	0.2	0.3	0.3	0.2
AML/CFT	2	1	1	1	2	2	0.2	0.1	0.1	0.1	0.2	0.2
GDDS/SDDS	6	5	4	5	5	6	0.6	0.5	0.4	0.5	0.5	0.6
Lending (incl. non-financial instruments)	192	198	181	180	177	187	19.2	19.4	17.7	17.1	16.8	17.6
Arrangements supported by Fund resources	167	173	157	142	136	141	16.7	16.9	15.3	13.5	12.8	13.3
Programs and precautionary arrangements supported by general resources	91	100	88	80	76	79	9.1	9.8	8.6	7.6	7.2	7.4
Programs supported by PRGT resources	76	73	69	63	60	63	7.6	7.1	6.7	6.0	5.7	5.9
Non-financial instruments and debt relief 3/	25	25	24	38	42	46	2.5	2.5	2.4	3.6	3.9	4.3
Capacity development	161	171	182	192	193	202	16.1	16.7	17.8	18.3	18.2	19.0
Technical assistance	117	125	137	149	150	156	11.7	12.2	13.5	14.1	14.2	14.7
Training	44	46	44	44	42	46	4.4	4.5	4.3	4.2	4.0	4.4
Miscellaneous 4/	49	36	30	35	35	35	4.9	3.5	3.0	3.3	3.3	3.3

Source: Office of Budget and Planning, ACES.

1/ Includes Fund-financed activities. Support and governance costs are allocated to outputs.

2/ Totals do not reconcile exactly to the final budget outturns; for example, ACES uses standard costs for personnel rather than actual cost in the financial system.

3/ Includes, among others, Policy Support Instrument (PSI), Staff Monitored Program (SMP), Near Programs, Ex-Post Assessments (EPA), Heavily Indebted Poor Countries (HIPC), Catastrophe Containment and Relief Trust (CCRT), and trade integration mechanisms.

4/ The "Miscellaneous" classification includes expenditures that currently cannot be allocated within ACES due to missing input data.

Table 8. Financial Treatment of Capital Projects with FY 17 Funding 1/
(Millions of U.S. dollars)

Asset Category	Period Over Which Expenses are Recognized								Total
	When Spent	3 years	5 years	7 years	15 years	19 years	20 years	28 years	
FY 17 Capital Appropriations	22.1	15.6	3.5	16.5	0.5	0.9	0.6	0.7	60.5
Building Facilities Projects 2/	13.3	--		16.5	0.5	0.9	0.6	0.7	32.5
Information Technology Projects	8.9	15.6	3.5				--	--	28.0
Feasibility Studies/In-House Development	8.9	--	--	--	--	--	--	--	8.9
Hardware - Equipment	--	11.8	--	--	--	--	--	--	11.8
Software - Upgrades/Purchases	--	3.8	3.5	--	--	--	--	--	7.3

Sources: Finance Department and Office of Budget and Planning.

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

1/ The financial treatment of the proposed FY 17 budget envelope and when its impact on net income will be reflected is determined by International Financial Reporting Standards (IFRS). Projects are either expensed in the year of funds outlay or are capitalized over a period based on the type of project. Buildings are depreciated over the remaining useful life: 28 years for HQ1 (extended due to HQ1 Renewal), 26 years for Concordia; and 19 years for HQ2. Mechanical equipment is depreciated over 20 years, food equipment is depreciated over 15 years, Furniture and Audio Visual systems are depreciated over 7 years, equipment over 3 years, and software upgrades over 3 years. Software purchases or new software developments are depreciated over 5 years. Unallocated funds are assumed to be expensed. Financial treatment is re-examined after funds are allocated to projects.

2/ Building Facilities projects include the Audio Visual 5 Year Capital Investment Program which began in FY 14.

Appendix I. Management's Key Goals for FY 17¹

Provide policy solutions for our membership

1. Upgrade our policy advice
2. Offer tailored cutting-edge policy analysis
3. Integrate work on long-term global challenges
4. Sustain growth in low-income countries
5. Deepen engagement with fragile countries
6. Reduce financial sector risks to support growth
7. Remain a global thought leader

Improve our core outputs

8. Less process, more policy dialogue
9. Provide coherent multilateral messages
10. Review the global safety net
11. Strengthen capacity development
12. Improve sharing of best practices

Create an enabling environment for staff

13. Strengthen people management
14. Provide for a safe and inclusive workplace
15. Manage resources more efficiently

Strengthen governance and boost resources

16. Advance quota reform
17. Maintain adequate financial capacity
18. Manage risks in a more systematic way

¹ As of November 2015.

Appendix II. FY 16 Projected Outturn: Overview

This appendix provides an overview of the projected spending for FY 16 based on information through the first three quarters.¹ It also presents an overview of capital investments related to major building works, building facilities, and information technology.

1. Current trends in expenditures and receipts point to a net budget utilization rate of about 99 percent (Table 1). With the reallocation of unused margins in FY 13 and FY 14 from the center to departments to help meet new needs, the budget utilization rate increased from 94 percent in FY 14 to 98 percent in FY 15, and is expected to reach 99 percent in FY 16. Most departments are fully staffed, travel spending is only slightly below planned levels, and spending on building operations and other services is expected to exceed the approved budget—mainly because of higher overseas operating costs, linked to security measures, as well as additional demand for language services. Receipts are projected to fall short of planned levels, mainly due to lower externally-funded capacity development (CD) activities, symmetrically captured in lower gross expenditures. Specific details on the delivery of CD activities will be covered in the FY 16 administrative and capital outturn paper.

Table 1. Net Administrative Budget: Estimated Outturn, FY 15–16 (Projected)
(Millions of U.S. dollars)

	FY 15		FY 16					
	Budget	Outturn	Approved Budget			Estimated Outturn		
	Total	Total	Fund-financed	Donor-funded	Total	Fund-financed	Donor-funded	Total
Gross expenditures	1,224	1,177	1,091	157	1,247	1,075	140	1,215
Personnel	896	862	804	103	907	792	91	883
Travel	128	112	89	41	130	87	38	125
of which: Annual Meetings	-		5		5	5		5
Buildings and other expenses	193	204	187	12	200	197	11	208
Contingency 1/	7	...	10	...	10			
Receipts	(197)	(167)	(39)	(157)	(196)	(36)	(140)	(176)
Net expenditures	1,027	1,010	1,052	0	1,052	1,040	0	1,040
<i>Memorandum items:</i>								
Carry forward from previous year	42		42					
Total net available resources	1,069		1,094					

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.

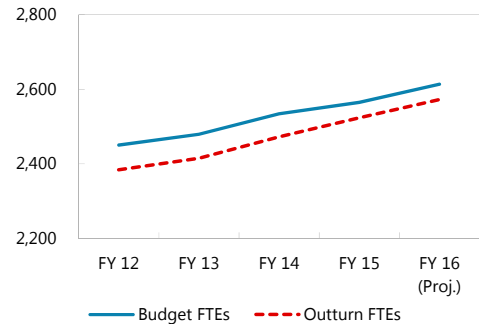
¹ A report on the final FY 16 administrative and capital expenses and output cost estimates will be issued once the financial books are closed in June/July 2016.

A. Personnel

2. Fund-financed spending on personnel is projected to end the year about \$12 million below budget, representing a budget utilization rate of 98.5 percent and vacancy rate of 1.5 percent.

As most departments are now fully staffed, the small underspend is largely due to frictional vacancies. The projected average vacancy rate of 1.5 percent represents a further decline from 1.7 percent in FY 15, and for the Fund as a whole, a historically low rate. However, vacancy rates vary among department types, with some support departments showing more difficulties in filling vacancies. In some cases, the current headcount exceeds departments' budgeted position limits, as departments increasingly made use of the provided flexibility to temporarily hire above their A-level FTE limits in order to compensate for and reduce vacancy lags.

Budgeted Staff Positions vs. Outturn, FY 12-16 1/
(Full-time Equivalent (FTE))



Source: Office of Budget and Planning.
1/ Both Fund-and externally-financed as of January 31, 2016.

3. Consistent with past years, the average salary paid will be lower than the budgeted average salary.

As turnover occurs, more senior staff are replaced with staff whose salaries are below the respective grade midpoint, causing the average salary to fall below the budget allocation. While this erosion in the average salary contributes to the underspend in the salary budget envelope, it provides the room for merit pay, effective July 1 of the following financial year.

Travel

4. Fund-financed travel expenses are expected to end the year about \$2 million below budget, representing a budget utilization rate of 98 percent.

Almost full utilization of budgeted resources is largely due to a volume increase in mission travel of about 7 percent relative to last year—mostly to the Asia Pacific region and additional security-related expenses. Also, while, not all mission travel could take place as planned in part due to security concerns in high-risk locations (HRLs), this was in some cases offset by higher costs for travel to alternative locations. Additional costs for security consultants, conference room rentals, and other onsite-specific expenses were incurred for travel that took place to HRLs.

Travel, FY 15–16
(Fund-Financed, Millions of U.S. dollars)

	FY 15		FY 16	
	Budget	Outturn	Budget	Est. Outturn
Total	86	77	89	87
Business	70	62	73	71
Seminars/Participants	5	5	5	5
Settlement	9	8	9	9
Miscellaneous travel	2	2	2	3

Source: Office of Budget and Planning.

5. The cost per mile for business travel continues to decline.

Even though airline companies have generally been hesitant to pass on savings from lower fuel prices to consumers, the Fund benefits from favorable airline contracts that allow it to realize savings from reduced fares. At the same time, departmental efforts to improve the

Average Cost per Mile, FY 12–16
(U.S. dollars)

	FY 12	FY 13	FY 14 1/	FY 15	FY 16 2/
Average cost per mile 3/	0.41	0.39	0.41	0.39	0.37

Source: Corporate Services and Facilities Department.

1/ Costing methodology for cost-per-mile changed beginning with FY 14. Under the previous method cost per mile was 0.38.
2/ Captures travel from May 2015–January 2016.
3/ Indicator is based on international travel only.

management of travel itineraries and advance ticketing have also been contributing to a steady decline in costs per mile. Fund-wide advance ticketing increased from 23.7 days in FY 15 to 25.0 days for the first six months in FY 16. Nevertheless, in some departments early indications point to a slight decrease in advance ticketing, suggesting room for improvement.

C. Building and Other Expenses

6. Spending on buildings and other services is expected to exceed the approved budget appropriation by about \$10 million. The additional spending in building occupancy is largely due to increased security-related costs at headquarters and overseas locations, including lease costs of residences and office space. Additional spending was also incurred due to increased demand for simultaneous interpretation and translation services in multiple languages (Miscellaneous) as well as increased costs for economic data subscription services. While budget pressures continue in many areas, some offsetting savings are being realized in the area of information technology. In particular, the TransformIT initiative has already resulted in significant savings, including through more favorable services contracts. Work on TransformIT continues.

Buildings and Other Expenditures, FY 15-16
(Fund-Financed, Millions of U.S. dollars)

	FY 15		FY 16	
	Budget	Outturn	Budget	Est. Outturn
Total buildings and other expenses	185	194	187	197
Building occupancy	58	58	56	61
Information technology	57	60	60	58
Subscriptions and printing	20	20	20	21
Communications	7	8	7	6
Supplies and equipment	6	7	7	6
Miscellaneous 1/	36	41	37	45

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.

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

D. Receipts

7. Combined receipts from externally-funded capacity development activities (captured symmetrically in expenses and receipts) and the Fund’s own operations are estimated to be about \$20 million below budget. The shortfall is mostly the result of lower-than-planned externally financed capacity development activities due to implementation and operational lags in finalizing financing arrangements for a number of projects and in posting long-term technical assistance experts in beneficiary countries, as well as security concerns in HRLs. The shortfall in general receipts relates to lower-than-planned rental income from the Concordia (largely as a result of the Annual Meetings held abroad) and changes in cost-sharing arrangements with the World Bank to streamline the Spring and Annual Meetings.

Receipts, FY 15–16
(Millions of U.S. dollars)

	FY15		FY16	
	Budget	Outturn	Budget	Est. Outturn
Total	197	167	196	176
Externally-financed capacity development (direct costs only)	154	131	157	140
General Receipts	43	37	39	36
<i>Of which:</i>				
Administrative and trust fund management fees	11	9	11	10
Publications income	6	3	2	2
Fund-sponsored sharing agreements 1/	5	4	5	4
HQ2 leasing	4	5	4	4
Secondments	2	1	1	1
Concordia apartment	3	3	4	3
Parking	3	3	3	3

Source: Office of Budget and Planning.

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

1/ Includes reimbursements principally provided by the World Bank for administrative services provided under sharing agreements, including the Joint Bank/Fund Library and the Bank/Fund Conference Office.

E. Capital Investments

8. **Capital investment** continues on major renovations of the HQ1 building, building facilities, and information technology. The **HQ1 Renewal Program** continues to progress, with several areas of the building (e.g., large public spaces, 3rd and 4th floors) in the final stages of testing and commissioning before re-opening. The project

has experienced delays related to the discovery of additional asbestos and other unforeseen conditions; coordination challenges have also contributed to project delays. Taken together, these issues collectively led to delays in the completion of the project of about 30–36 months. The Executive Board recently approved supplemental funding of \$95 million to complete the project along with a contingency

of \$37 million to guard against future unknowns. Periodic reports are provided to the Executive Board advising on the status of this program. Under **building facilities**, the Audio Visual Improvement (AV) Program is being coordinated with the HQ1 Renewal schedule. As construction progresses, floors are being returned for occupancy complete with enhanced AV functionality in conference rooms and other meeting venues. While the AV program is proceeding according to budget, delays in the HQ1 Renewal Program have caused commensurate delays in the AV program and spending is therefore taking place at a slower pace than originally envisaged. Under **Information technology**, projects are in train to improve knowledge management, provide more and better data management and analysis, and streamline access to information for use within the Fund and by country officials. IT investment also continues in HR, budget and financial areas. The comprehensive Enterprise Information Security Program (EISP) continues to improve the security of the Fund's IT assets. In response to a new initiative introduced by the Fund's Chief Information Officer (CIO), IT capital investments are now required to be completed within a two-year timeframe or risk losing their funding. This emphasis on project delivery is expected to result in a higher utilization of budget resources and also the timelier introduction of new capabilities.

Capital Expenditures, FY 16
(Millions of U.S. dollars)

	Facilities 1/	IT	HQ1 Renewal 2/	Total
FY 16 Budget Appropriations	14.0	28.0	132.0	174.0
+ Unspent FY 14 and FY 15 Funding	30.1	12.9	217.4	260.4
= Total funds available in FY 16 3/	44.1	40.9	349.4	434.4
Expenditures FY 16 (Est.)	14.0	24.5	68.0	106.5

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

1/ Approved capital funding is available for three consecutive years, except for HQ1 Renewal.

2/The HQ1 Renewal budget includes the Board Decision during FY 16 to appropriate an additional \$132 million in project capital funding, including a contingency of \$37 million.

3/ Approved capital budget funds are available to projects for three consecutive years.

Unspent funds appropriated under the FY 13 capital budget lapsed at the end of FY 15. HQ1 Renewal funding expires on April 30, 2025.

Appendix III. IT Capital Infrastructure Long-Term Plan

1. As foreshadowed in last year’s medium-term budget paper, work has taken place over the past year to develop a more formal long-term plan to guide future spending on the IT capital infrastructure, similar to the plan already in place for Facilities Capital and the Audio Visual Improvement Program. While spending on IT infrastructure has traditionally followed a replacement policy informed by industry best practices, a documented long-term plan will now provide the basis and rationale for future investment and provide transparency on the expected spikes associated with future major initiatives.

2. In FY17, IT infrastructure spending will account for some \$10 million of the \$28 million total IT capital budget.

This includes provision for the replacement of workstations, laptops, mobile devices, network servers and equipment, remote access communication, and storage capacity—all of which provide the foundation to run the strategic and core applications used by staff (see Table).

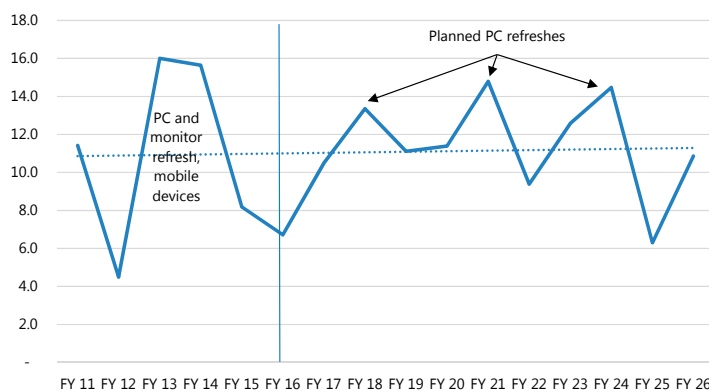
IT Capital, FY 17
(Millions of U.S. dollars)

	Proposed FY 17
Total	28
Infrastructure	10
Software and applications	10
Security	3
CBIT reserve	5

Sources: Office of Budget and Planning and Information Technology Department.

3. Rapid changes in the IT industry and the constantly shifting environment mean that any long-term plans for spending are subject to uncertainty. For example, over the medium term cloud technology may significantly reduce the need for the Fund to spend on owning its own IT infrastructure. That said, IT infrastructure is the component of the IT capital budget that has a regular replacement cycle and can be predicted with a relatively higher degree of confidence. Identifying and sufficiently provisioning over the long term for the underlying IT infrastructure ensures that the Fund’s business critical IT systems have a robust architecture upon which to operate. Accordingly, it is planned that these critical investments will not have to compete for funding with IT security or software and systems applications projects, which have separate governance structures.

Long-term IT Infrastructure Capital Plan, FY 17-26
(Millions of FY 16 U.S. dollars)



Source: Information Technology Department.

4. The plan was developed with a 10-year view, which was deemed to best balance the need to be transparent about upcoming plans with the recognition that the fast pace of technology introduces a degree of uncertainty. It reflects the cyclical patterns inherent in IT infrastructure investments and provides advance signaling for the timing of major IT hardware and infrastructure replacements and upgrades. The Fund follows industry best practices to guide decisions and considers the following primary factors in determining the lifecycle replacements of

network, server and storage equipment: (i) vendor support policies, (ii) technical obsolescence, (iii) useful operating life, and (iv) operating cost. Replacement cycles for desktops, laptops and mobile devices follow a similar approach.

5. As shown in the figure, peak spending in the past was related to the life cycle replacement of desktop and laptop computers. Similar peaks are expected in FY 18, FY 21 and FY 24, as this equipment is replaced every three years, on average. The overall trend in the spending projection shows a slight increase over the time period, reflecting mainly the additional need for mobile devices and the ever increasing demand for more server and storage capacity.

6. The plan will be updated on an annual basis to take account of changing trends in the IT industry. As the Fund analyzes and considers new approaches and technologies, this plan will be used as the baseline for modeling different investment and operational scenarios. Adjustments will be made as appropriate to reflect new policies and practices, such as shifting investment to earlier or later periods or eliminating certain investments altogether.