IMF Publication

# FY2024-FY2026 Medium-Term Budget

INTERNATIONAL MONETARY FUND

INTERNATIONAL MONETARY FUND

# IMF POLICY PAPER

## FY2024-FY2026 MEDIUM-TERM BUDGET

May, 2023

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its April 27, 2023 consideration of the staff report.
- The **Staff Report** on the Medium-Term Budget was prepared by the IMF staff and completed on March 30, 2023 for the Executive Board's consideration on April 27, 2023.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Electronic copies of IMF Policy Papers
are available to the public from
http://www.imf.org/external/pp/ppindex.aspx

**International Monetary Fund**
**Washington, D.C.**

PRESS RELEASE

PR23/184

# IMF Executive Board Approves FY2024–FY2026 Medium-Term Budget

**FOR IMMEDIATE RELEASE**

**Washington, DC**—On April 27, 2023, the Executive Board of the International Monetary Fund considered the 2024-26 financial years (FY24-26) Medium-Term Budget against a complex global economic backdrop. While the pandemic is receding in many countries, the global impact of Russia's invasion of Ukraine, intensifying geopolitical fragmentation, and multi-decade high inflation have contributed to a significant rise in demand for Fund financial support and for more granular surveillance advice. Recent financial sector developments provide a reminder that the outlook remains subject to high uncertainty and downside risks. The Board recognized the imperative for the Fund to continue to adapt to members' needs in an increasingly shock-prone world and to support their efforts to strengthen resilience in the face of longer-term structural challenges working in close cooperation with external partners.

The Board welcomed the Fund's continued commitment to strict budget discipline through robust savings and reprioritization. Executive Directors endorsed the allocation of the second phase of resources as part of the three-year targeted budget augmentation framework approved in 2022. These new resources are linked to tackling the macro-critical challenges of climate change and the rise of digital money, while reinforcing the Fund's work on macrofinancial surveillance, fragility, and inequality. The Board reiterated its expectation that the Fund would return to a flat real budget trajectory in FY26.

The approved net administrative budget for FY24 (May 1, 2023–April 30, 2024) totals US$1,411 million, consistent with projected income and continued progress towards the precautionary balances target. The budget includes a 2 percent structural augmentation. The maximum amount of unused budget resources that can be carried forward from previous years will be reduced from 7 to 6 percent of the underlying budget to continue the gradual unwinding temporary pandemic-related resourcing introduced in FY21.

The FY24 capital budget is set at US$108 million and reflects the resumption of facilities-related investments including hybrid workspace and field-based needs, continued stabilization of information technology investments, and a projected increase in cloud costs.

The Board also endorsed the second of a three-year step increase in the externally funded spending limit approved last year to support capacity development (CD) efforts in the structural transformation areas.

Additional information can be found in the staff paper on the FY24-26 Medium-Term Budget.

700 19th Street NW
Washington, DC 20431
USA

March 30, 2023

## FY2024-FY2026 MEDIUM-TERM BUDGET

# EXECUTIVE SUMMARY

**Context**. The FY24 budget is set against a complex global economic backdrop and heightened demand for Fund support. The membership is facing an increasingly shock-prone world and needs to strengthen resilience to longer-term structural challenges. With strong sustained demand for Fund engagement, work pressures remain elevated.

**FY24-26 budget framework**. The budget seeks to align resources with institutional priorities and emerging needs, recognizing the need for difficult trade-offs given sizable demands. The second of a three-phase augmentation is allocated, and a management fee under the Resilience and Sustainability Trust is operationalized, while temporary pandemic-related resourcing continues to be unwound.

**FY24 administrative budget**. The proposed budget ($1,411 million, $1,328 million in FY23 dollars) includes a 2 percent augmentation and a one-off $7 million allocation for overseas Annual Meeting travel. It builds on continued reprioritization to meet critical needs in traditional areas, while supporting work toward a greener, digital, and more inclusive global economy through augmentation funding. The Fund will need to remain agile, reprioritizing as needed, given rapidly evolving needs and high budget utilization.

**External funding.** Externally funded spending is expected to continue to recover as in-person capacity development picks up. As part of the three-year increase in externally funded spending limit agreed in FY22, a 3 percent real increase in this limit (to $250 million, $236 million in FY23 dollars) is proposed, supporting the structural transformation agenda.

**FY24 capital budget**. The proposed capital budget ($108 million) reflects a resumption of facilities-related investments, including hybrid workspace and field-based needs, with continued stabilization of information technology investments. A projected increase in cloud costs also contributes to the higher overall capital envelope.

**Sustainability**. The FY24–26 budget is consistent with the Fund's medium-term income position and precautionary balance target.

**Risks**. Amid multiple shocks facing the membership, risks to the budget remain elevated, including from the volatile inflation outlook, uncertainty around the demand for Fund programs, complex modernization-related needs, and high utilization. A recent internal task-force report also highlighted the impact of high sustained work pressures on staff wellness. Enterprise risk management continues to be strengthened.

Approved By
**Michele Shannon**

Prepared by the Office of Budget and Planning (OBP) team led by Maria Albino under the supervision of Laurence Allain with contributions from Feras Abu Amra, Gillian Adu, Emre Alper, Leslie Alvarez, Anand Balakrishnan, Raquel Chuayffet, Roman Didenko, Angeliki Economopoulos, Huda Etushani, Benjamin Fosu, Cher Huo, Peter Mataruse, Mercy Pinargote, Lewis Murara, Delano Radgman, Andrea Salerno, Haydn Schaefermeyer, Anika Shtuni, Karen Toledo, Nomelie Veluz, and Barrie Williams. Contributions from staff in CSF, FIN, HRD, ICD, ITD are noted in the text in the relevant sections.

# CONTENTS

**FIGURES**



**TABLES**

## ANNEXES

# Abbreviations and Acronyms

| | |
|---|---|
| AD | Area Departments |
| AFR | African Department |
| APD | Asia & Pacific Department |
| BIS | Bank for International Settlements |
| BSL | Bilateral Surveillance and lending |
| CCBR | Comprehensive Compensation and Benefits Review |
| CCE | Cloud Capital Equivalent |
| CD | Capacity Development |
| CDEF | Capacity Development Externally financed |
| CDFF | Capacity Development Fund-financed |
| CDMAP | Capacity Development Management and Administration Program |
| COM | Communications Department |
| CSF | Corporate Services and Facilities Department |
| CSR | Comprehensive Surveillance Review |
| EUR | European Department |
| FAD | Fiscal Affairs Department |
| FCS | Fragile and Conflict-Affected States |
| FGF | Fund Governance and Fund Finances |
| FIN | Finance Department |
| FSAP | Financial Sector Assessment Program |
| FSB | Financial Stability Board |
| FSW | Food Shock Window |
| FTE | Full-Time Equivalent |
| GPA | Global Policy Agenda |
| GRA | General Resource Account |
| HRD | Human Resources Department |
| ICD | Institute for Capacity Development |
| iDW | Integrated Digital Workplace |
| IEO | Independent Evaluation Office |
| ISU | Internal Support |
| ITD | Information Technology Department |
| LEG | Legal Department |
| MCD | Middle East & Central Asia Department |
| MCM | Monetary and Capital Markets Department |
| MSGS | Multilateral Surveillance, Global Cooperation and Standard Setting |
| MTB | Medium-Term Budget |
| NAB | Net Administrative Budget |
| OBP | Office of Budget and Planning |
| OED | Office of Executive Directors |
| OIA | Office of Internal Audit |

| | |
|---|---|
| ORM | Office of Risk Management |
| PRGT | Poverty Reduction and Growth Trust |
| RES | Research Department |
| RFI | Rapid Financing Instrument |
| RSF | Resilience and Sustainability Facility |
| RST | Resilience and Sustainability Trust |
| SEC | Secretary's Department |
| SPR | Strategy, Policy, and Review Department |
| STA | Statistics Department |
| TFMF | Trust Fund Management Fee |
| TRM | Office of Transformation Management |
| WHD | Western Hemisphere Department |

# SECTION I. OVERVIEW

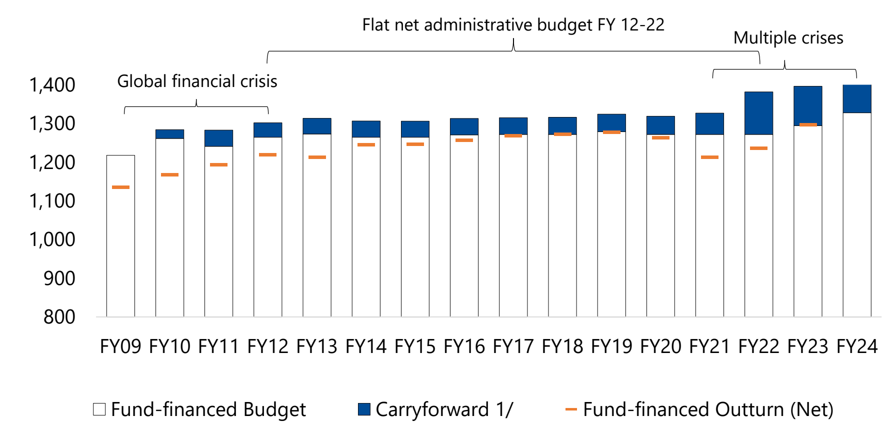
**1. Global challenges.** The FY24 budget is set against a complex global economic backdrop and heightened demand for Fund support. The Managing Director's Fall 2022 Global Policy Agenda and Statement on the Executive Board Work Program emphasize the imperative for the Fund to continue to adapt to members' needs in an increasingly shock-prone world and to support their efforts to strengthen resilience in the face of longer-term structural challenges. While the pandemic is receding in many countries, the global impact of Russia's unanticipated invasion of Ukraine, intensifying geopolitical fragmentation, and multi-decade high inflation have contributed to a significant rise in demand for Fund financial support, as has interest in the new Resilience and Sustainability Facility (RSF). Surveillance is also becoming more complex, with increasing requests for more granular policy advice, including for members facing protracted debt issues. The recent financial market stress provides a reminder that the outlook remains subject to high uncertainty and downside risks.

**2. Fund Agility.** The Fund is adapting to ensure the necessary policy, analytical, and lending toolkits are in place to address these challenges. This is exemplified by the recent establishment and ongoing operationalization of the new RSF and food-shock window (FSW) along with the approved changes to the Fund's financing assurances policy in the context of UCT financing under exceptionally high uncertainty. At the same time, with pandemic restrictions declining, the Fund is reestablishing operational norms that adopt lessons from the pandemic period and emerging best practices to build out a hybrid workplace and integrate virtual interactions into its engagement with the membership. It is also strengthening its frameworks for enterprise risk management and IT-intensive modernization, while implementing recommendations of an Institutional Safeguards Review.

**3. Budget discipline** is a fundamental principle underlying Fund operation. The Fund maintained a real flat budget for a decade, based on continuous reprioritization and savings (Figure 1), notwithstanding significant expansion in demands on the Fund, in areas including macrofinancial and macro-structural surveillance, governance, fragility, spillovers, CD, and institutional priorities including risk, knowledge management, modernization and IT and physical security (see FY23-25 Medium-term Budget, ¶2-3). This savings and reprioritization process remains a

**Figure 1. Net Administrative Budget and Carryforward, FY09-24[1/]**

(Millions of FY23 U.S. dollars)




Source: FACTS, OBP. [1/]Includes OED/IEO underspend transferred to general budget.

fundamental element of budget formulation. Within this context, the exceptional needs of the recent period have been reflected in two key budget measures:

- Beginning in FY21, the Executive Board has authorized temporary expansion of the limit on carryforward resources from the historic norm of 3 percent of the net administrative budget to a peak of 8 percent in FY22. This allowed use of savings from previous years to meet urgent pandemic related needs. The carryforward limit was reduced to 7 percent in FY23 and is expected to revert gradually to normal levels, notwithstanding still high demands.

- In December 2021, the Executive Board agreed in principle to a phased budget augmentation to support strengthened Fund capacity in five strategic areas (climate change, digital money, macrofinancial surveillance, fragile and conflict-affected states, and inclusion/gender). In doing so, the Board recognized that, even with ongoing reprioritization and savings, increased work in these areas could not be absorbed in a sustained manner without risks to delivery in traditional core areas—especially important given heightened risks for the membership. The framework foresees a three-step increase in the real net administrative budget averaging 2 percent per year in FY23-25, returning to a flat real trajectory at the augmented level thereafter. Implementation was formally approved in the FY23-25 budget process. The budget remains consistent with income dynamics and target for buildup of precautionary balances (Section II).

**4. FY24 budget.** The proposed budget seeks to align resources with institutional priorities and emerging needs. The budget allocates the second phase of augmentation resources and operationalizes a management fee, as anticipated under the Resilience and Sustainability Trust (RST), while continuing to unwind temporary pandemic-related resourcing. Externally funded operations will also increase with the second of a three-year step increase in spending limits approved in the FY23-25 budget to support capacity development (CD) efforts. The FY24 budget addresses several challenges:

- **Less temporary space**. During the pandemic period, the repurposing of travel and other resourcing, as well as a short-term increase in the limit on carryforward, provided significant temporary budget space to meet urgent pandemic-related needs. With travel resuming and full utilization of structural resources now projected, reallocation within the available envelope will require difficult tradeoffs. At the same time, the highly uncertain global outlook highlights the importance of continued budget flexibility. Reprioritization and contingency planning remain important in this regard, while the adequacy of financial buffers will also need to be closely monitored.

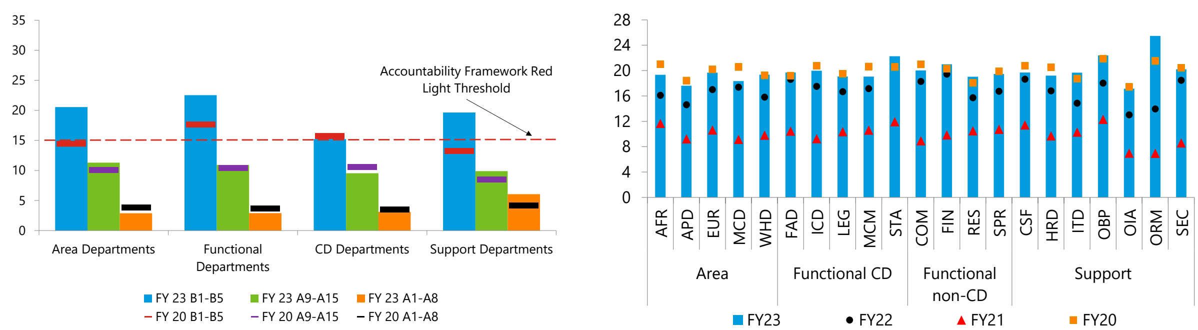
- **Inflation and cost dynamics.** The volatile inflation outlook adds uncertainty to budget management, with significant pressures apparent in non-salary related costs (e.g., travel, services, data subscriptions, medical benefits). At the same time, uncertain wage-inflation dynamics add risks to the budget outlook, given potential lags in price adjustments relative to U.S. CPI (the basis for the Fund deflator) requiring careful budget management. An update to the methodology for calculation of the Fund deflator is also proposed (Section V, Annex III).

- **Work Pressures** (Figure 2). Average overtime remains high relative to pre-pandemic levels, particularly for senior staff. Annual leave has recovered on average but remains low for some staff, for whom projected annual leave remains below minimums and cumulative leave balances are stubbornly high. The impact of sustained work has contributed to stress and diminished work-life balance as noted in the recent Mental Health Strategy Task Force report, with demand for Fund engagement and crisis-related work projected to remain elevated for some time.

**5. Paper structure.** Section II considers the Fund income and the budget. Section III looks at FY23 budget execution, while Section IV presents key medium-term issues that will shape the Fund's budget outlook. Section V details the proposed FY24 administrative budget. Section VI discusses the proposed FY24 capital budget, Section VII considers risks and mitigating measures, Section VIII presents FY24 proposed decisions.

**Figure 2. Average Overtime Rate and Projected Annual Leave**

**Average Overtime, FY20-23**[1/] (Staff only, percent) | **Average Projected Annual Leave by Dept Type, FY20-23**[1/] (Staff only, days)




[1/]Excludes regional offices. Percent of actual work hours. FY23 reflects data through January.

[1/]Excludes regional offices. For FY23, data through January.

# SECTION II. INCOME AND BUDGET

**6. Budget Anchor.** The Fund has maintained an expenditure-based anchor for the budget (the real flat framework) for over a decade (Figure 3). Under this framework, the Fund has demonstrated its ability to adapt to the changing needs of the membership in a cost-effective and flexible manner, including through reprioritization and savings. While the income position remains an important reference point, the commitment to keeping the budget flat in real terms has ensured that the Fund's activities are efficiently and

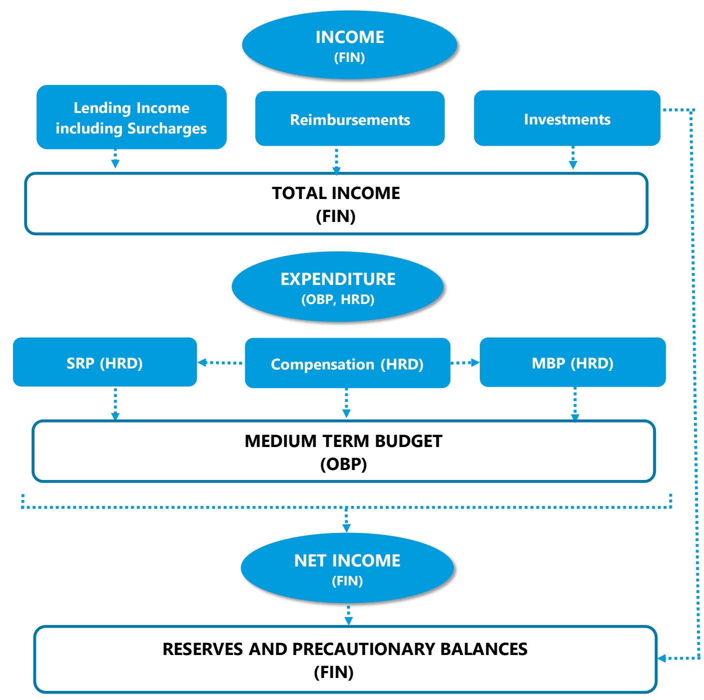
**Figure 3. Income and Expenses—FY08–33**[1/]

(Billions of U.S. dollars)


Source: FIN [1/]Excludes pension-related (IAS 19) gains/losses.

sustainably resourced, regardless of income fluctuations and consistent with objectives for accumulation of precautionary balances. This is important given the volatility and strong countercyclicality of the Fund's lending activities and, in turn, income position.

**Figure 4. Income, Expenditure, Reserves**




Source: Roadmap to Income, Compensation and Budget.

7. **Income and Budget** (Figure 4). The budget framework recognizes the need to avoid overdependence on extraordinary lending income. At the same time, net income above expenses supports accumulation of reserves and precautionary balances. As such, the Fund's total spending envelope, the capital budget, and the net administrative budget (i.e., gross expenditure minus receipts) are subject to annual approval. These decisions also determine space for external financed expenditures through receipts, including for CD. Shifts in salaries are decided independently, also on an annual basis, under the rule-based compensation system in the Review of the Staff Compensation and absorbed within the budget ceiling both directly and through contributions to the Staff Retirement Plan (SRP) and the Medical Benefits Plan (MBP).

8. **FY24-26 Dynamics.** Based on projections under the country desk survey, the FY24–26 budget remains consistent with a projected surplus in the Fund's medium-term income position and continued progress towards the precautionary balance target.

- Under existing policies, projected operational income will remain well above expenses through FY29, reflecting high demand for Fund support. Reimbursements to the GRA from the PRGT, SDR department, and the recently created RST also contribute to income, though the former is suspended until FY26. Improved non-lending income projections reflect the recent upward shift in the medium-term SDR interest rate path and the ongoing build-up of reserves.

- With the proposed FY24-26 budget, the SDR25 billion target for precautionary balances is expected to be reached in late FY24 or early FY25. The Review of the Fund's Income Position for FY23 and FY24 provides further analysis of the assumptions underpinning the projections.

# SECTION III. FY23 DEVELOPMENTS

9. **Shock-prone global economy** (Box 1). Russia's invasion of Ukraine, the rise in inflation in major markets to levels not seen in 40 years, global financial tightening, and the related cost-of-living and food security crises have set back post-pandemic recovery and introduced complex challenges for policy makers. With limited policy space and already high debt, members face increasingly difficult policy trade-offs to tackle inflation and address heightened macro-financial risk, slowing growth, and rising inequality. Against the backdrop of recent developments in the financial sector, members will also need to monitor developments in this sector closely and stand ready to respond as needed to safeguard against systemic risks.

### Box 1. Key Achievements in FY23

**Country Operations:**

- Financing to 28 countries (incl. 12 LICs)
- 5 RSF operations approved, 15 in train
- 81 Article IV consultations, 8 FSAPs concluded
- 165 countries benefitted from CD delivery

**Multilateral Surveillance**

- Assessment of global spillovers of the war
- Publications on climate, digital, and inclusion

**Policy/Financial**

- Staff guidance note on the FCS strategy
- Strategy to mainstream gender work approved
- 2023 CD Strategy Review kicked off
- RST Established
- Creation of the Food Shock Window
- Changes to the Fund's financing assurances policy under exceptionally high uncertainty
- Progress in Debt agenda
- Engagement on the 16th Quota Review

**Internal Support**

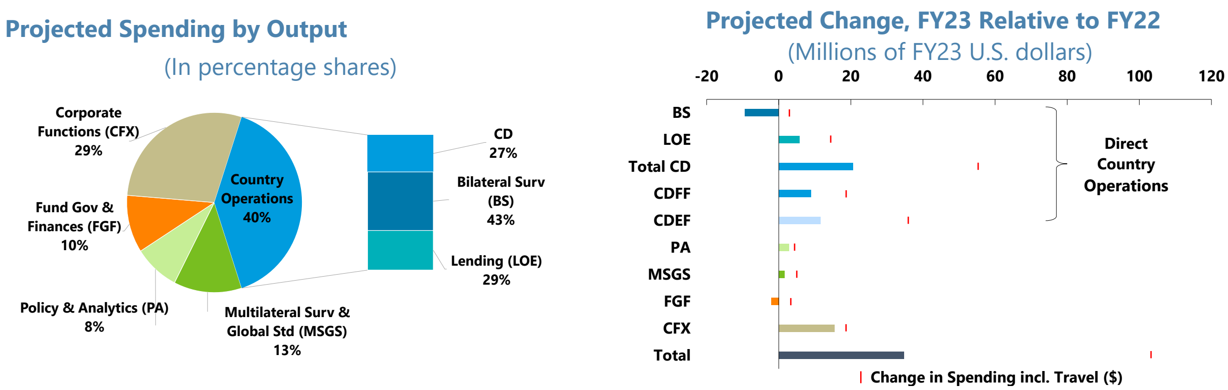
- Strengthened governance of the Fund's modernization agenda
- Approval of the Fund's Enterprise Risk Management Policy and Framework
- Implementation of hybrid work model

10. **Agile response.** The Fund has responded with financing, real-time, granular advice, and enhanced CD support. In-person engagements has risen across surveillance, lending, and CD. The Fund is also supporting countries with new tools under the RST, a Food Shock Window, and a strengthened toolkit to address debt issues.

11. **Bolstering resilience.** FY23 is the first year of implementation of strategies supported by the three-phase augmentation. Key deliverables for FY23 are broadly on track. After initial teething issues, most net new positions in the five priority areas are expected to be filled by the end of FY23. However, as discussed in the CY22 Staff Recruitment and Retention Report, competition for key skillsets in these areas (particularly for climate and digital money work) has been challenging given a relatively small global talent pool. Organizational arrangements have been further strengthened to ensure continued effective implementation, e.g., by standing up dedicated climate units in SPR, FAD, MCM and RES and defining structure for cross-departmental coordination and monitoring. Updates on current and future work is provided in Sections IV and V.

12. **FY23 Spending** (Figure 5). FY23 spending (excluding travel) is expected to increase across most workstreams, drawing on augmentation resourcing, the increase in external CD funding, and continued pandemic-linked crisis resourcing (at reduced levels relative to FY22). All figures are expressed in FY23 dollars unless otherwise indicated.

**Figure 5. Fund Projected Outputs, FY23**

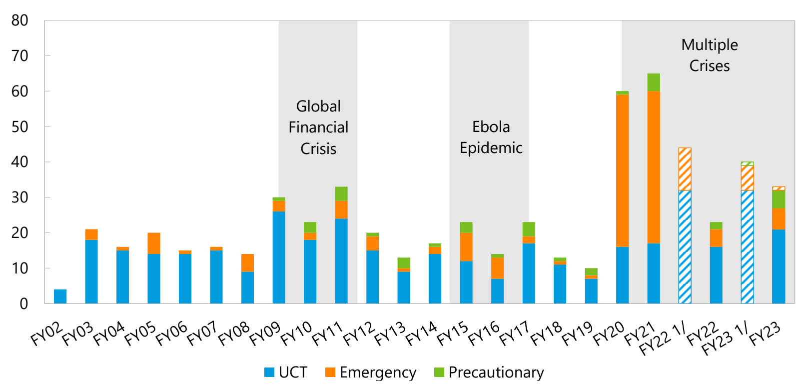



Source: OBP. Excludes travel (except red line on right-hand side chart), miscellaneous and central reserves.

- **Country engagement.** Non-travel spending on direct country operations is expected to grow by $17 million (or 3 percent) compared to FY22, mainly driven by an increase in lending activities, coupled with an expansion in CD delivery, surpassing levels in pre-pandemic years when measured in FTEs. Including travel, spending is expected to rise by $72 million (13 percent) versus FY22. Upper credit tranche financing is projected to increase in FY23, with RSF financing also now underway and with some emergency funding, including under the new Food Shock Window (Figure 6). FY23 lending is projected to include up to 33 operations, of which 21 UCT and 5 precautionary, below the projected 40 operations (33 UCT and 1 precautionary) envisaged at the time of budget approval as some operations have shifted to FY24. Significant interest in RSF-related operations is also evident. As of early March 2023, RSF programs for five countries—Barbados, Costa Rica, Jamaica, Rwanda, and Bangladesh—have been approved., providing affordable, long-term financing to help build resilience against economic risks associated with climate change, with another country to be considered shortly. In addition, 30 other members have either expressed interest or informally inquired about accessing the facility.

**Figure 6. Fund Financial Support FY02–23[1/]**

Approved Arrangements (through March 3, 2023)




Source: SPR, OBP. [1/]For FY22 and FY23, First Bar: projection at time of budget approval; Second bar: final/current projection. Hash marks reflect projections based on active requests and informal inquiries.

- **Policy, Analytic, Multilateral Surveillance and Fund Financing.** Non-travel spending on these workstreams is projected to increase by 1 percent over FY22 to about $2 million, with FY23 priorities including work on inflation, food and energy insecurity, trade spillovers, debt sustainability, Safeguard Policy Review, and the establishment of a Food Shock Window. On climate, work is focused on climate financing and emissions-reducing schemes, supported multilateral discussions, including in the G20 Framework Working Group, and related development of models and other tools, as well as the operationalization of the Resilience and Sustainability Trust (RST). Including travel, spending in these areas will increase by $14 million (3 percent). Annex IV presents Selected Policy Reviews and Evaluations during CY22-23, with reference to resource implications, where included in the underlying report, a process that will be standardized in future.
- **Corporate functions.** Spending in this area is projected to remain stable as a percent of total spending. Additional spending versus FY22 ($15 million or 4 percent over FY22) reflects higher utilization of allocated budgets, incremental temporary support for HR modernization, investments to strengthen Enterprise Risk Management, establishment of the Office of Transformation Management and work on the Institutional Safeguards Review.
- **Externally financed CD spending** (including travel) is projected at about $185 million, below the $230 million budget, but $10 million above the level projected in the April 2022 budget, reflecting initial recovery in travel-related spending. Personnel chargebacks are expected to exceed projection by about $1 million, about $4 million above FY22 levels.

**13. Projected utilization** (Table 1). Utilization of the net administrative budget is projected at 100 percent (101 excluding OED/IEO), versus 97.2 percent in FY22, and 99.3 percent pre-pandemic (FY20). Initial resumption of travel and in-person engagements, progress in filling augmentation-related vacancies, increased building occupancy, and higher use of facilities and IT administrative resources are driving FY23 utilization. Rising costs, including for travel, some benefits, services, and subscriptions, are also evident in underlying spending (Boxes 2 and 3). Recognizing two-sided risks, about 1 percent in general carryforward resources ($8 million) is projected to be used in FY23.

**Table 1. FY23 Fund-Financed Utilization[1/]**

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

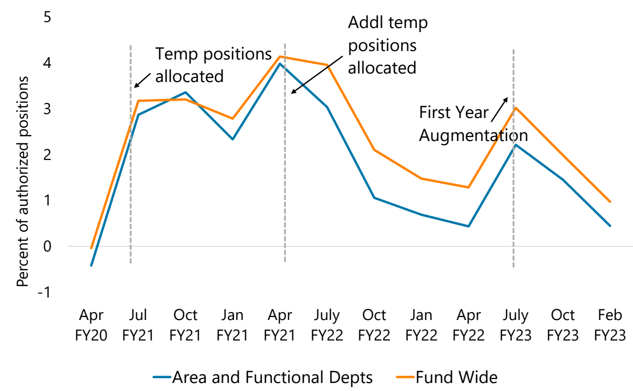
| | Structural Budget | Proj. Outturn | Utilization (percent) |
|---|---|---|---|
| Gross Expenditures | 1,333 | 1,325 | 99 |
| Personnel | 1,015 | 1,053 | 104 |
| Travel | 80 | 55 | 69 |
| Buildings/IT/Other | 223 | 217 | 97 |
| Contingency | 15 | - | - |
| Receipts | (38) | (32) | 84 |
| Net Expenditures | 1,295 | 1,293 | 100 |
| *Memorandum items:* | | | |
| General Utilization (excl. OED/IEO) | 1,207 | 1,215 | 101 |
| Externally Funded CD | 230 | 185 | 81 |

Source: OBP.[1/] FY23 resources, including carryforward: $1,396m, of which $1,371m allocated.

- **Personnel** (Figure 7). Despite initial winddown of temporary pandemic-related positions allocated in FY21 (from 135 to 88), approved staff positions rose slightly in FY23, supported by the augmentation. Vacancy rates have steadily declined intra-year, particularly in front-line departments, despite high turnover. Execution is expected to exceed the structural personnel budget by 4 percentage points, remaining within the available personnel envelope (including temporary resources).

**Figure 7. Vacancy Rates, FY20-23[1/]**

(In percent of approved FTEs)




Source: Dept and OBP estimates.[1/]Excludes OED, IEO.

- **Travel**. A quarter of travel-related resources were repurposed centrally to meet FY23 needs (relative to 50 percent in FY22). Travel execution began to recover, reflecting both volume and cost, with average airfare prices about 30 percent above pre-pandemic levels (Box 3).

- **Buildings, IT, and other services.** Utilization is projected to increase from 91 percent in FY22 to 97 percent, still below pre-pandemic levels. Underspend is driven by lower-than-budgeted facilities costs (slow ramp-up in vendor staffing for facilities management), earlier-than-budgeted phase-out of Covid safety protocols, higher translation chargebacks, and lower printing costs stemming from lower staff presence in the building. This underspend was partly offset by the first in-person Annual Meetings in three years, increased operational costs in field offices, higher matching under the Giving Campaign, and price pressures for IT, commercial data and library subscriptions, utilities, food prices and other contract-based services.

- **Receipts.** FY23 receipts are projected to increase 24 percent relative to FY22, while remaining 17 percent below budget. This gap reflects lower-than-projected parking fees, publication income, HQ2 retail lease income and Concordia occupancy. This is partially offset by higher-than projected CD-related fees (3 percent above budget), linked to externally financed CD execution.

### Box 2. Budget Pressures

**Budget Utilization.** With the resumption of normal operations, the temporary underspend in areas such as travel, buildings, and technology is being unwound. Structural resourcing is expected to be utilized fully, with some drawdown of carryforward resources expected. Intense demands for available resources, even after reprioritization, implies little flexibility to absorb gaps between projected and actual US CPI.

**Cost Pressures.** With multiyear contracts and lagged response for some costs to inflation, underlying cost dynamics may differ from actual inflation in any given year, with catch-up to be anticipated over time. As such, maintaining constant real space requires that positive differentials between US CPI and underlying costs should be saved in years where there is a positive gap to cover future negative differentials. The Fund continues to focus on budgetary discipline, advance planning, active negotiation, and optimization of service-levels to manage overall non-personnel costs.

For personnel costs (about 75 percent of the budget), the structure salary increase was lower than the Fund deflator in FY22 and FY23. However, the effect of inflation can be expected to lag under the comparator-based system for calculating Fund salaries. This reflects the backward-looking nature of the comparison and an inherent lag in the impact of broader price movements on salaries. For non-personnel costs, significant price pressures are evident in some categories and expected in others with anticipated contract renewals:

- **Travel**: Average airfares are close to 30 percent higher than pre-pandemic rates.
- **IT Services**: Vendors report increasing cost pressures, with rising salaries to retain talent within a competitive and higher cost IT market. Recent contract renewals for strategic partners included a 6 percent increase, reflecting these pressures.
- **Other vendors**: Recent contract renewal for creative solutions saw an 8 percent CPI-linked increase. Similar pressures are expected as other contracts are renewed.
- **Commercial data and library subscriptions**: Commercial data contract renewals have seen price increases of 8 to 12 percent in recent years. Prior to the pandemic, these increases were in the 3 to 5 percent range. Recent library subscription renewals have also seen increases of about 8 percent.
- **Utilities**: Costs for electricity/gas will be readjusted in FY26, where similar cost pressures are anticipated.
- **Food services**: Food costs have increased by about 12 percent. It has been difficult to pass on these costs fully given the lower overall take-up of food services. Cost pressures are also being felt in vendor staffing, with salary increases reflecting collective bargaining agreements.
- **Annual Meetings**: Audio-visual labor cost has also increased by 28 percent during the same period.
- **Medical Benefit Plan and other personnel benefits:** The index of medical costs has risen by 5.2 percent in FY23. Several other benefits (e.g., Expatriate, Spouse/Child, Childcare Allowances) are based on actual US CPI.
- **Legal services**: Renewal of multi-year legal contracts will take place in summer 2023, with the last renewal in 2020.

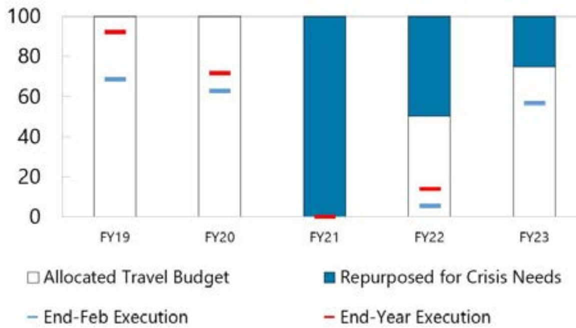
### Box 3. Fund-Financed Travel Budget—FY23 Through February

Post-pandemic business travel is increasing on the back of a rise in program cases, strong interest by staff and member countries for a return to in-person engagement, and a surge in travel costs.

- **Utilization** reached about 57 percent of the structural business travel budget in the FY through February, relative to 5 percent in the same period in FY22, but below the 67 percent pre-crisis average.
- **In-person missions** rose to about 60 percent of pre-crisis levels Fund-wide with some variability among departments with 67 percent for area departments and 55 percent for functional departments.
- **Average ticket price** rose about 30 percent from pre-pandemic levels, with APD facing the highest increases.

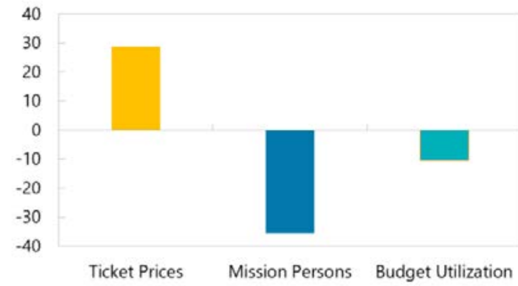
**Business Travel Budget Utilization**

(End-Feb, percent of structural budget)




**FY23, Business Travel Indicators**

(vs. pre-pandemic avg, as of end-Feb, in percent)




# SECTION IV. MEDIUM-TERM OUTLOOK

**14. Sustained support.** The medium-term outlook is marked by extraordinary uncertainty, reflecting the impact of ongoing macro shocks (Russia's invasion of Ukraine, pandemic restrictions, and inflation developments, including food and energy prices) and longer-term structural imperatives. The Fund will need to remain agile within the medium-term budget framework, reprioritizing its activities and maximizing the benefits of the hybrid work model (Figure 8). Augmentation resources will continue to be allocated during FY24 and FY25, with concurrent unwinding of extraordinary temporary resourcing, recognizing the one-off nature of underlying funding (Table 2). Overall staffing levels are projected to level out during the three-year budget period at higher levels funded on a steady-state basis by the augmentation (Box 4).

**Figure 8. Global Policy Agenda and Funding**

| Fall 2022 GPA | Main Workstreams | Budget Sources |
|---|---|---|
| Macro policies to address the **macro shocks** we face today | Multilateral and bilateral surveillance, lending, CD, policy and analytics; focus on IPF, Governance | Baseline budget, reprioritization/savings, temporary resources |
| Global solidarity to help those **most in need** | Food Shock Window, RST, SDR channeling, debt restructuring and sustainability | Baseline budget, reprioritization/savings, temporary resources |
| Joint action to strengthen **future resilience** | Focus on climate, macro-financial, digitalization, inequality, gender, fragility | Baseline budget and augmentation resources |
| | Pandemic preparedness, CD Strategy Review | Reprioritization/savings of baseline budget |
| Strong, quota-based, and adequately **resourced** Fund | 16th General Rev of Quotas, Enterprise Risk Management framework, Inst Safeguards Review | Reprioritization/savings of baseline budget |

## Table 2. Administrative and Capital Budget Envelopes, FY23-26

(Millions of FY23 U.S. Dollars)

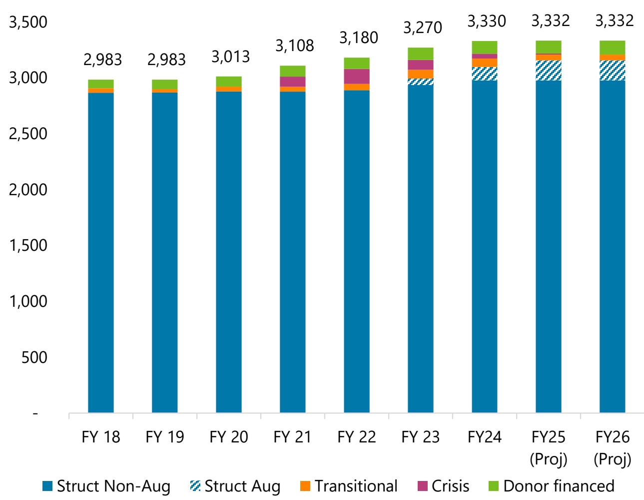
| | FY23 | | Budget changes | | | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Proposal | | |
| | Structural budget | Outturn (est.) | Demands | Savings | Donor financed | Structural budget | Indicative structural budget | |
| Gross administrative budget | 1,562 | 1,510 | 90 | (53) | 6 | 1,605 | 1,629 | 1,631 |
| Receipts [1/] | (268) | (217) | (4) | | (6) | (278) | (281) | (283) |
| Net administrative budget | 1,295 | 1,293 | 87 | (53) | 0 | 1,328 | 1,348 | 1,348 |
| *o/w* FY Augmentation | 23 | ... | 27 | | | 27 | 27 | ... |
| *o/w* Annual Meetings | ... | ... | 7 | | | 7 | ... | ... |
| Capital budget [2/] | 78 | 91 | | | | 108 | 109 | 103 |
| *Memorandum items:* | | | | | | | | |
| Carryforward | 93 | | | | | 86 | | |
| General carryforward est.[3/] | 79 | | | | | 72 | ... | ... |

Source: OBP.[1/]Changes in FY24 reflect RST-related receipts and rebasing of expected parking revenues (Box 5). [2/]Reflects 3-year funding availability. [3/]Excludes OED/IEO. FY24 general carryforward limit, 6 percent (7 percent in FY23).

## Box 4. Evolution of Staff

**Allocated Staff FTEs, FY18-26p**

(excludes contractual positions)



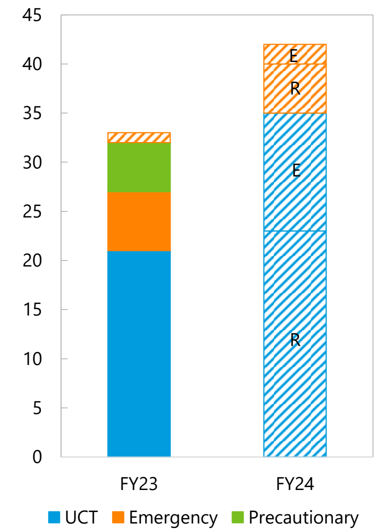

- Budgeted staff positions have risen since the onset of the crisis, driven by temporary pandemic-related resourcing. These one-off resources are now being unwound, albeit with underlying needs still significant in the context of the multiple shocks confronting the global economy, requiring significant reprioritization.
- Augmentation-related staffing increases will support priority work in support of members' structural transformation.
- Overall staffing levels are expected to remain broadly level during the FY24-26 period.

- **Increased demand for financing.** A key challenge for the coming period will be to meet the significant ramp-up in demand for financial support. Current requests and informal enquiries total 42 new financial operations in FY24, some of which may not materialize. About 40 percent of potential new operations would support members from the Sub-Saharan Region (Figure 9).

This compares to 44 programs (24 in AFR) as of December 2022. Beyond these operations, the establishment and operationalization of the RST in FY23 has been met with strong member interest for climate work (Box 5). As noted, RSF programs for five countries have been approved by the Board, and 30 other members have either expressed interest or informally inquired about accessing the facility. Ramp up is expected to continue through the medium-term budget period following initial piloting.

**Figure 9. Financial Operations, FY23-24**

Arrangements (through Mar 2023)




Source: SPR, OBP. Dark colors: approved operations. Hash: active requests (R)/informal enquiries (E).

**Box 5. Budget Implications of the RST**

**Context.** The RST and a new lending instrument, the RSF, were established in April 2022 to complement the existing lending toolkit, focused on helping countries build resilience to external shocks and support sustainable growth, contributing to long-term balance of payment stability. The RST is a key element of the Fund's climate-related toolkit, supporting collaboration with partner organizations, as it supports reforms that address hurdles to private-sector investment, including improvement to the regulatory environment and infrastructure-resilience policies.

**Budget implications**. Set-up costs for the RST were included in the FY23 budget, including work on final design of the RST, fundraising, IT configuration, and development of policies and guidance for lending under the trust. Operational costs from early RSF operations were absorbed with in-year reprioritization, reallocations, and overtime. Going forward, recurring costs will reflect a) trust management, including execution of financial transactions, reporting and audit, and periodic financial and safeguard policy reviews and b) operational work consisting of country program design and review, including economic policy analysis and program negotiations, climate finance, including a catalytic role in private climate finance in the context of RSF, collaboration with the World Bank and other agencies, and operational policy reviews.

**A management fee** was approved to cover trust management costs, with this fee to be reviewed periodically. These fees constitute budget receipts, affecting the gross administrative budget, with the net administrative budget unchanged. RST transfers to the GRA cover recurring costs, less the fee. FY24 trust management cost is estimated at $4.8 million in FY23 dollars (versus $5-6 initially estimated).

**Operational costs** for RST activities will be covered through climate-related augmentation resources and broader resourcing for program-related work through the regular budget process. As this work will draw heavily on the climate expertise being built up with augmentation resourcing, it is expected to give rise to trade-offs and affect the timeline for ramp-up of other climate-related workstreams, notably in-depth coverage of climate-related topics in Article IV consultations (see Box 7). Operational costs are expected to be highest in the ramp-up period that began in FY23, as staff gains experience with the facility and operations are expected to peak. Based on the projected scale of RST operations, updated estimated cost for FY24 is about $8 million in FY23 dollars. The cost estimates are subject to uncertainty and will be reviewed based on experience.

- **Meeting longer-term challenges.** The December 2021 Augmentation Framework sets out parameters for the period FY23–25, while recognizing that related resourcing is subject to annual approval within a medium-term context. Early lessons from FY23 implementation will help inform the allocation of the remaining phases of augmentation resources in FY24 and FY25.
    - **FY24—Growth.** Building on analytical foundations established in FY23, the focus of implementation is expected to tilt more heavily to direct country support, with associated resourcing to both Area and Functional Departments. For climate-related work, resequencing of deliverables and some frontloading of remaining augmentation resourcing, including for functional expertise to support country work, is programmed to incorporate the strong demand for RSF-related support. This is matched by a parallel backloading of overhead and travel related funding to maintain the overall FY24 augmentation resourcing agreed in the Framework. Organizational changes and monitoring of functional department support for country operations also are supporting more strengthened information sharing and coordination on country engagement across departments and Management. Details of FY23 execution and FY24 allocations are highlighted in the next section.
    - **FY25—Stabilization**. The final ramp-up of resources and staffing will be established in FY25, again drawing from lessons from experience, with budgets for FY26 and thereafter to be maintained at the FY25 level on a flat real basis.

**15. Post-pandemic work model:** The Fund is gradually transitioning to a new form of business that incorporates changes to the way we work and engage with our members and partners, provides greater flexibility for staff, and supports a more resilient institution (Box 6).

- After a successful pilot phase, steady progress is being made towards a post-pandemic hybrid work model at HQ, with most staff having established a routine between office presence and telework options and with travel resuming. While processes and technology continue to be refined, early feedback on experience with the hybrid work model indicates that the model is enhancing staff's ability to manage work demands and personal obligations in the context of heavy work pressures. A more substantive review is planned for early 2023.
- **Travel Resumption.** With the improvement of the global health situation, the Fund's travel restrictions have been lifted. An initial increase in staff travel reflects recognition of the importance of in-person engagement with the membership. At the same time, the Fund continues to assess how to incorporate virtual engagement where appropriate.
- **Strengthened global footprint**. Field offices have transitioned from remote work to various phases of in-person work. With the rise in field-based operations (including through CD-related centers supported by donor resourcing), increased focus on ensuring efficient, well-supported field operations is also needed. Additional program countries and deeper engagement with FCS across surveillance, lending, and CD, have increased requests for field presence, with FCS operations benefiting from augmentation resources.
- **HQ based operations**. HQ facilities continue to be improved and equipped to support hybrid interactions effectively while also accommodating a changing workforce. While steady progress has been made in returning towards normal operations at HQ, there remains significant

variation in building occupancy across the week, which highlights the need to adjust service delivery levels depending on variability in occupancy and demand across the week.

**Box 6. Budget Implications of the Hybrid Work Model**

While implementation of the hybrid work model is proceeding well, practices are continuing to evolve. To support changing work practices, ensure efficient use of space, and support rapidly evolving collaboration and audiovisual technologies, the model requires continued adaptation. Experience in the next 12-18 months will help determine long-term budget impacts of these changes, with initial implications emerging:

- **Capital Investments**: Capital investments to support the hybrid work model are estimated at $14 million in FY23 and $8.6 million in FY24, providing space reconfiguration to accommodate staff growth within the footprint of HQ facilities, design and construction of collaboration and hybrid-enabled meeting spaces, audiovisual infrastructure, and IT equipment to support effective hybrid work.
- **Recurring expenditures**: Recurring expenditures have been built into the administrative budget through reprioritization, including $1.1 million in FY23 and $1.4 million in FY24. These costs include the increase in hybrid-capable meeting rooms, support for hybrid Board meetings and townhalls, additional training for staff, and maintenance cost for home and mobile IT equipment provisioned to staff.
- **Efficiencies**: In the short-term, efficiencies and reductions in operating costs from lower building occupancy, e.g., appearance care, are expected to be offset by losses in parking revenue and higher cost for food services given variable building occupancy and the current structure of the vendor contracts. However, a key benefit of the hybrid work model has been the ability to address space constraints and accommodate current and projected personnel growth through FY25 without resorting to leasing external space (with estimated cost avoidance of $13-16 million per year). Additionally, upcoming facilities renovations and capital investments present an opportunity to realize efficiencies through implementation of Smart Building technology and practices, providing capabilities to better adjust service levels to match occupancy patterns.

# SECTION V. FY24 ADMINISTRATIVE BUDGET

## A. Budget Overview

**16. Overview** (Table 3). The proposed FY24 net administrative budget (NAB) totals $1,328 million in FY23 dollars ($1,411 million in current prices). FY24 augmentation resources total $26.6 million ($29 million in current prices), or 2 percent of the NAB. The proposed FY24 capital budget of $108 million in current prices includes $88 million in direct spending and $20.3 million in cloud licenses. The FY24 deflator is set at 6.2 percent, based on actual U.S. CPI for the calendar year prior to the budget approval, with relevant adjustments, under the revised calculation methodology set out in Annex III.

**Table 3. Budget Envelope, FY23–24**
(Millions of U.S. dollars)

| | FY23 | | FY24 |
|---|---|---|---|
| | | | Proposal |
| | Structural budget | Outturn (est.) | Structural budget |
| Gross administrative budget | 1,562 | 1,510 | 1,706 |
| Receipts | (268) | (217) | (295) |
| *o/w* externally-financed | (230) | (185) | (250) |
| Net administrative budget | 1,295 | 1,293 | 1,411 |
| *o/w* FY Augmentation | 23 | … | 29 |
| *o/w* Annual Meetings | … | … | 7 |
| Capital budget [1/] | 78 | 91 | 108 |
| *Memorandum items:* | | | |
| General carryforward est. [2/] | 79 | | 72 |
| Fund deflator [3/] | 4.8 | | 6.2 |

Source: OBP. [1/]Reflects 3-year funding availability. [2/]FY24 general limit (excl. OED/IEO) of 6 percent. [3/]See Annex III.

**17. Budget by expense category** (Table 4). Personnel spending represents about 75 percent of the gross administrative budget, unchanged from FY23. With travel restrictions lifted, the budget also reflects full release of structural travel allocations to departments, ending pandemic-related reprogramming of a portion of this funding.

**Table 4. Administrative Budget by Expenses, FY24[1/]**
(Millions of U.S. dollars)

| | Fund financed | | | Externally financed | | | |
|---|---|---|---|---|---|---|---|
| | Structural budget | Temporary resources | Total | Budget | Temporary resources | Total | Total |
| Net admin budget (in nominal terms) | 1,411 | ... | ... | - | - | - | |
| Gross administrative budget | 1,455 | 95 | 1,550 | 250 | 7 | 257 | 1,808 |
| Personnel | 1,080 | 49 | 1,129 | 159 | | 159 | 1,288 |
| Travel 2/ | 93 | 0 | 94 | 54 | | 54 | 147 |
| Buildings/IT/Other | 266 | 17 | 283 | 38 | | 38 | 321 |
| Contingency/Other 3/ | 16 | 29 | 45 | - | 7 | 7 | 52 |
| Receipts | (44) | | (44) | (250) | (7) | (257) | (302) |
| *Memorandum item:* | | | | | | | |
| FY24 total net available resources (FY23 dollars) | 1,328 | 95 | 1,423 | - | - | - | 1,423 |
| FY23 total net available resources (FY23 dollars) | 1,295 | 102 | 1,396 | - | - | - | 1,396 |

Source: OBP
[1/]Personnel costs to be updated in final budget to reflect standard costs. [2/]Includes overseas Annual Meetings budget.
[3/]Includes structural contingency reserves, as well as OED/IEO carryforward and unallocated general carryforward.

**18. Overall budget space** (Table 5). FY24 real budget space is projected at $143.9 million (about 11.1 percent of the FY23 NAB), driven by departmental savings and reprioritization and allocation of temporary space.

**Table 5. FY24 Budget Space**
(Millions of FY23 US dollars)

| | Overall | Overall in % NAB |
|---|---|---|
| **Budget Space** | **143.9** | **11.1** |
| Augmentation resources | 26.6 | 2.1 |
| Saving/reprioritization [1/] | 46.8 | 3.6 |
| Allocated general carryforward | 57.1 | 4.4 |
| Other [2/] | 13.5 | 1.0 |

Source: OBP. [1/] Does not include crisis unwinding. [2/]Incl. RST fee receipts and projected transfer of IEO/OED underspend.

- **Carryforward.** The FY24 budget proposes a further reduction in the general carryforward limit to 6 percent (from 7 percent in FY23), with an expectation of a continued reduction to the historic norm of 3 percent in coming cycles (Table 6). This measured reduction recognizes both the challenging global environment and elevated demand for Fund support, on the one hand, and the need to avoid a prolonged dependency on one-off resources within the context of rising execution rates, on the other.

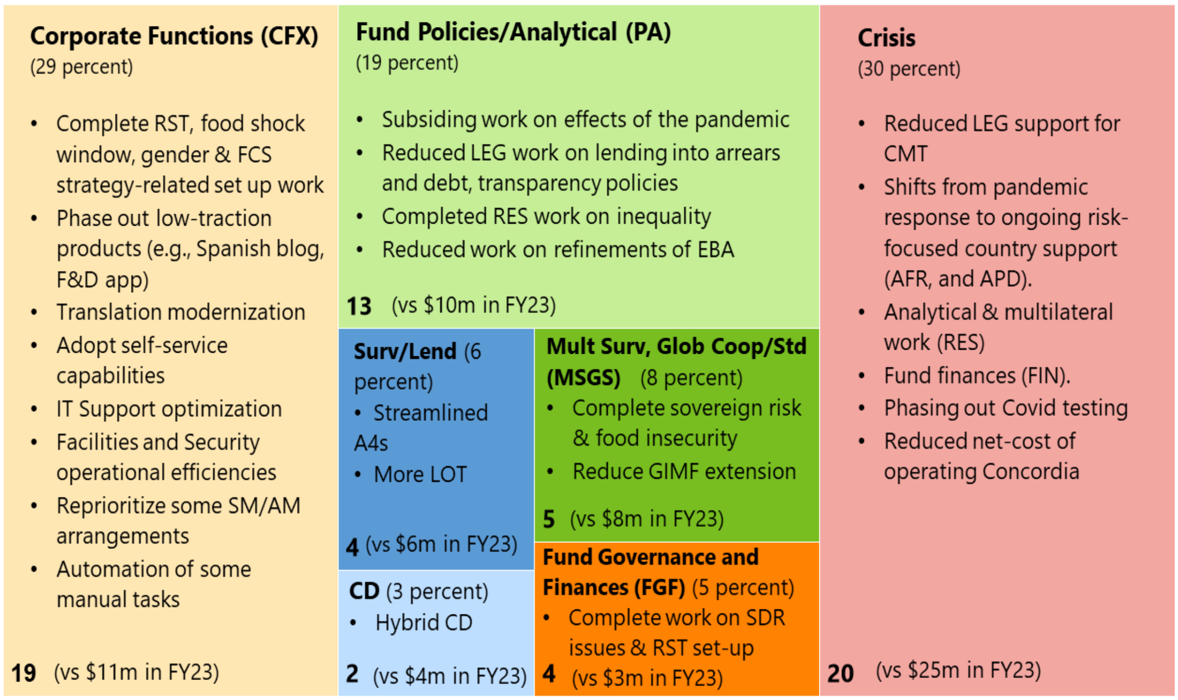
**Table 6. Carryforward—FY24**
(Millions of FY23 US dollars)

| | Carryforward |
|---|---|
| General | 72.4 |
| Allocated FY24 | 57.1 |
| Reserve FY25 | 15.3 |
| *Memorandum items:* | |
| Overall FY24 (ceiling)1/ | 88.1 |
| General FY23 (ceiling) | 79.1 |

Sources: OBP, IEO, and OED. [1/]Includes estimated IEO/OED limits, subject to separate decisions.

- **Savings/reprioritization** (Figure 10) total $46.8 million (4 percent of the NAB), or $67.1 million, including reduction of one-off crisis resourcing (5 percent of NAB). Key savings areas include efficiency gains in IT support and several corporate services, including translations and facilities. Reduction of policy work and analytics (e.g., on pandemic-related impacts) contribute about 20 percent of total savings. Continued reduction of one-off pandemic-related temporary funding (including phasing out of crisis-related operational coordination; reduced Covid testing in HQ) represents another third of overall savings.

**Figure 10. FY24 Budget—Reprioritization and Savings, Including Crisis: $67 Million**
(Millions of FY23 U.S. Dollars)




Source: OBP, Departmental submissions.

**19. Salary/Deflator dynamics.** A net positive differential exists between a) the Fund deflator and b) funding required to address the proposed structure salary increase, as well as the negative gap between the proposed merit increase and projected wage erosion. Recognizing lags and uncertainty in underlying cost dynamics, this differential will be reserved on a structural basis, recognizing the potential for negative differentials in future years that would, in the first instance, be funded through this reserve.

## B. Budget by Priority Topics

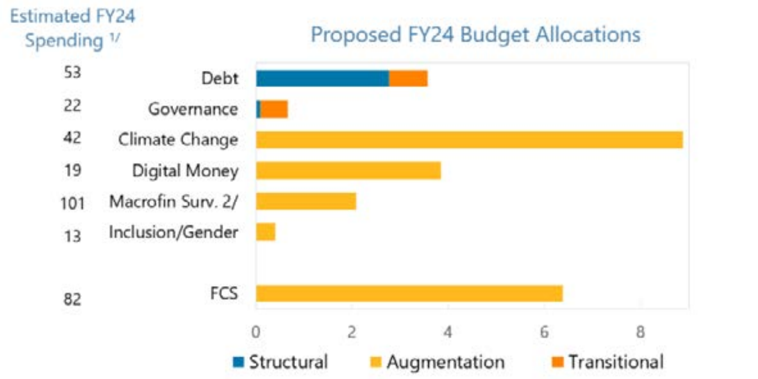
**20. Priority areas** (Figure 11).

- New resources for **debt** ($3.6 million real change) will reinforce Fund's efforts on the international architecture for sovereign debt, including strengthening the Common Framework and continued work for the rollout of the Sovereign Risk and Debt Sustainability Framework. Staff will also focus on the review of the Debt Sustainability Framework for Low-Income Countries, addressing constraints to assisting countries with debt vulnerabilities, and guidance on collateral in debt financing in support of the G20 agenda.

- New, mainly transitional, spending on **governance and anti-corruption** ($0.7 million) will mainly support continued policy advice on governance and anti-corruption in country operations, and policy advice on financial integrity (e.g., AML/CFT and broader financial integrity risks), as well as the implementation of the FY23 Review of the 2018 Framework on Enhanced Engagement on Governance.

**Figure 11. FY24 Spending by Priority**

(Millions of FY23 U.S. dollars)




Source: Departments and OBP estimates. 1/Estimated FY23 Fund-financed spending and FY24 net allocations. 2/Includes broader financial sector work.

**21. Augmentation-supported priorities.** Total FY24 augmentation resourcing is consistent with the agreed aggregate level of funding, albeit with an updated mix of funding proposed. (Table 7, Figure 12, and Box 7).

- To support urgent **climate-related needs**, new FY24 funding ($11.0 million overall, $9.0 million excluding travel and overhead) includes some frontloading of climate resources into FY24 (with parallel backloading of support and travel-related funding). Given strong, near-term demand for RST financing, FY24 climate resourcing will support program-related climate diagnostics and design of RSF conditionality. Policy work will focus on the challenges of fossil fuel exporters confronted with global decarbonization and on integrating climate financing aspects into bilateral consultations. Coordination with other international organizations and key stakeholders, including the Coalition of Finance Ministers for Climate Action and the annual COP meetings will remain a linchpin of this work.

**Table 7. Budget Augmentation–Notional and Proposed**

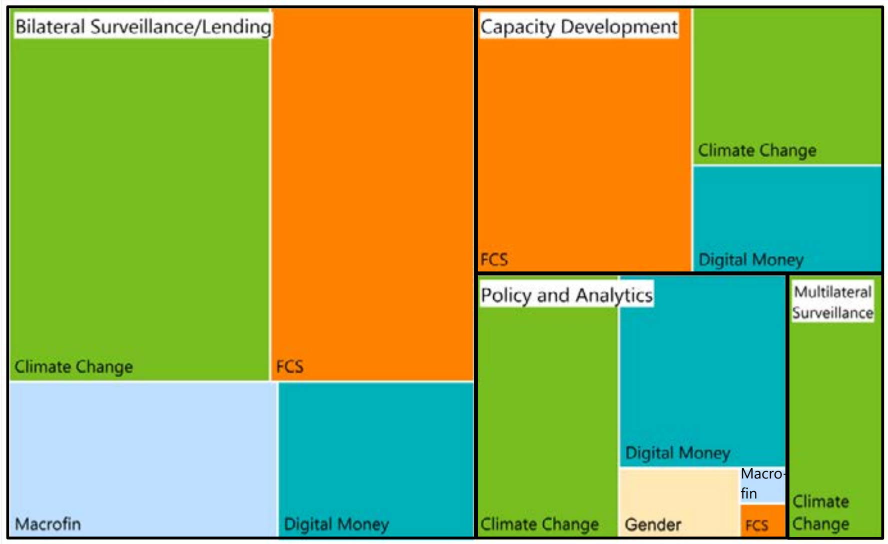
(Millions of FY23 U.S. dollars, unless otherwise noted)

| | Notional | | | | Proposed | | | |
|---|---|---|---|---|---|---|---|---|
| | FY23-25 | | FY23-24 | | FY23-24 | | FY24 | |
| | $ | % | $ | % | $ | % | $ | % |
| **Total** | **76.3** | **...** | **49.4** | **...** | **49.4** | **...** | **26.6** | **...** |
| Climate | 20.9 | 27 | 13.6 | 28 | 15.6 | 32 | 9.0 | 34 |
| Digital Money | 11.2 | 15 | 6.7 | 14 | 6.8 | 14 | 3.9 | 15 |
| Macrofinancial | 6.8 | 9 | 5.1 | 10 | 5.0 | 10 | 2.1 | 8 |
| FCS | 17.5 | 23 | 10.5 | 21 | 11.8 | 24 | 6.4 | 24 |
| Inclusion/Gender | 1.6 | 2 | 1.6 | 3 | 1.6 | 3 | 0.4 | 2 |
| *Memorandum items:* | | | | | | | | |
| Travel/Overhead | 18.3 | 24 | 11.9 | 24 | 8.6 | 17 | 4.8 | 18 |

Source: Strategy teams, departments, and OBP staff calculations.

- Additional spending on **digital money** ($4.8 million overall, $3.9 million excluding travel and overhead) will support growth in surveillance and CD delivery, building on advancing analytical foundations. Work will focus on cross-border payment platforms, macro-implications of crypto assets, digital money, and the international monetary system.

**Figure 12. Augmentation by Output and Issue Area, FY24**
(Share of Augmentation Spending)




Source: OBP.

- New spending on **macrofinancial surveillance** ($2.5 overall, $2.1 million excluding travel and overhead) will deepen integration of macrofinancial analysis and policies in bilateral surveillance through engagement ahead of Article IV consultations, toolkit development, training, and workshops. Work will also focus on calibration of macroprudential policies and Integrated Policy Framework (IPF) pilots.

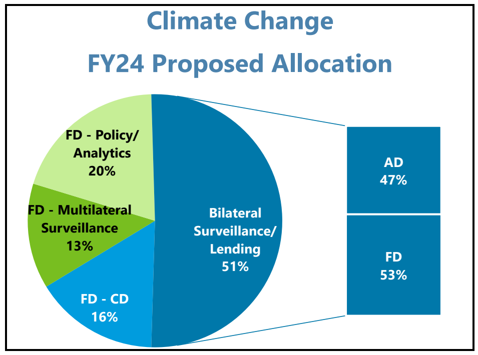
- Additional resources for **FCS** ($7.8 million overall, $6.4 million excluding travel and overhead) will allow to continue implementing the Fund's FCS strategy. Staff will focus on the rollout of country engagement strategies, strengthen the Fund's field presence, and conduct Fund-wide peer learning events.

- On **inclusion and gender** additional resources ($0.5 million overall, $0.4 million excluding travel and overhead) will allow for development of analytical toolkits and further enhance the gender data dashboard, completion of the guidance note on mainstreaming gender, and advance work on social spending.

## Box 7. Augmentation—FY23-24 Key Deliverables

Implementation of the strategies supported by augmentation in FY23 is broadly on track, with continuing evolution with experience. About 70 percent of augmentation resources will be directed to strengthen direct country support, including about 25 percent for Fund-financed CD. Remaining funds will support analytical and policy work, multilateral surveillance, and internal training, which will be key to mainstreaming.

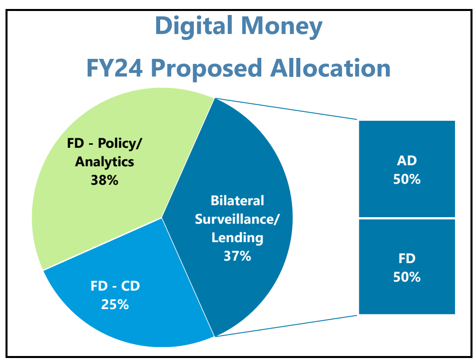
### CLIMATE CHANGE




- **Country engagements**: FY23 progress is broadly on track, with about 20-25 country cases identified for in-depth climate work through surveillance and RSF operations—more than planned originally, given the strong demand for the RST. Fiscal and statistics CD and training were also successfully piloted. In FY24, about 30 countries are expected to receive in-depth climate-related support, including coverage in 15-20 Article IVs and 10-15 RSFs. Work is also commencing on catalyzing climate finance in RSF countries. The number of Article IVs in FY24 is lower than originally envisaged recognizing resource needs for RSF operations. This shift will affect coverage of adaptation/transition management for smaller and medium-sized countries in Article IV consultations, i.e., the same group that benefits primarily from support under the RSF. As the number of RSF-related engagements is still uncertain, continued agility will be required, taking into account needed trade-offs. The mitigation policies of the 20 largest greenhouse gas emitters will be covered in Article IVs over a 3-year period as planned. 4 FSAPs will have an in-depth climate component, largely on account of climate stress testing. CD delivery countries will focus on climate work, including further rollout of the Public Investment Management Assessment module to 13 countries to help identify reform priorities for climate responsive public investments and to support RSF operations.

- **Other workstreams**: Climate issues figured prominently in the Fall 2022 WEO, GFSR, and REOs. Foundational analytic work was presented in staff climate notes, departmental, policy and working papers. Coordination efforts with key partners was also a key focus across all workstreams to leverage synergies. Analytical work in FY24 will focus on climate financing and climate policy advice for fossil fuel exporters, green innovation and cross-border effects of different climate policies (carbon pricing vs. green subsidies).

### DIGITAL MONEY

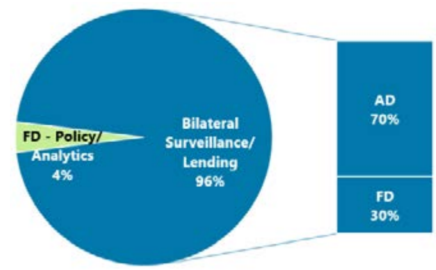



- **Key country engagements:** FY23 progress is broadly on track. In-depth coverage of central bank digital currency (CBDC) and other digital money, fintech, and crypto asset issues in 4 Article IVs and 3 FSAPs. CD activities include 14 CBDC missions across all regions, two regional conferences on CBDC, 5 bilateral CD missions on regulatory issues, and 6 regional seminars on fintech, including cryptos. In FY24, the focus will remain on countries with potentially large spillovers and where digital money and fintech issues can become systemic, increasing the number of Article IVs and FSAPs, focused on financial stability risks from digital money adoption. Several countries will receive in-depth CD and regional training on regulation and supervision of Fintech and digital money, reflecting continued strong demand.

- **Other workstreams:** As programmed, policy and analytical work in FY23 includes fintech notes on regulation and supervision of crypto assets, digital currencies and energy consumption; papers on CBDC, crypto assets, and the impact of crypto assets on capital flow management; and the launch of a knowledge hub. Staff collaborate closely with the World Bank, the BIS, the FSB, and other standard setting bodies. In FY24, analytical work will focus on cross-border payments platforms, digital money and the international monetary system, macro-implications of crypto assets, supervision and regulation of digital assets and fintech, institutional frameworks for monitoring fintech developments, digital finance, CBDCs, fast payments, blockchain, asset tokenization, and FMIs.

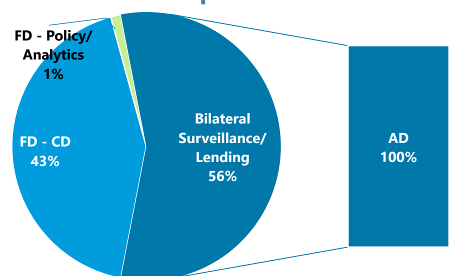
## Box 7. Augmentation—FY23-24 Key Deliverables (concluded)

### MACROFINANCIAL SURVEILLANCE



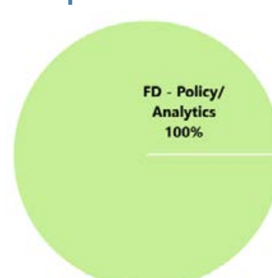

- **Key country engagements**: In line with the 2022 Surveillance Guidance Note, the focus is on deepening the integration of macrofinancial linkages, systemic risk analysis and macro-prudential policy advice in bilateral surveillance, including through training and workshops. In FY23, work includes an internal review of progress in macro-financial integration in 71 2022 Article IV staff reports.
- **Other workstreams**: Work will bolster analysis of policy effects and sources of financial stability risks, toolkit development (e.g., growth-at-risk analysis, credit gap and credit cycle analysis, systemic risk analysis), training, and workshops. A 12-month pilot to enhance the follow-up of FSAP findings and Article IV in 6 countries has been initiated.

### FRAGILE AND CONFLICT AFFECTED STATES




- **Key country engagements**: Six country engagement strategies (CES) have been finalized in FY23 to date, with another 9 to be completed by end-FY24. Staff are further integrating fragility and conflict drivers into Article IV consultations and policy advice, while CD in core areas continued. In FY24, staff anticipate an additional 6-8 CESs; three new resident representatives will be placed in Yemen, Comoros, and one already recruited for Papua New Guinea; 11 additional local economists (7 in AFR, 3 in MCD, and 1 in APD); 3 Fund-financed long-term experts (LTX) to strengthen the Fund's presence and CD delivery, in addition to the 9 LTX financed by IMF02 resources in FY23. RCDCs serving FCS members will receive additional resources.
- **Other workstreams:** Policy and analytical work included notes and working papers on conflict and terms of trade shocks, the food crisis, refugees, climate, and FCS. The FCS Seminar Series will continue, including seminars and workshops, also in collaboration with external partners (World Bank, OECD, UNHCR, WFP). In FY24, staff will finalize the development of a new FCS internal learning curriculum, organize seminars on FCS issues and integrate FCS-specific material in existing training.

### INCLUSION/GENDER




- **Key country engagements.** Gender and inclusion issues are expected to be covered in 9 and 46 Article IV reports, respectively in FY23. Gender coverage is expected in at least 13 country reports in FY24. FY23 capacity development events included external training, and bilateral technical assistance on gender-responsive budgeting and legal rights. Gender outreach missions were held in Europe and Africa, with further outreach planned. Internal training, seminars and peer learning on gender are proceeding apace. A 30-institution strong network of external stakeholders and the new External Advisory Network will support analytical and operational efforts.
- **Other workstreams**: Social safety nets were discussed in the October 2022 Fiscal Monitor and the April 2023 edition will cover the distributional implications of inflation. Analytical and policy work focuses inter alia on the social impact of high energy and food prices, the global food crisis, pension spending and social safety nets, gender inequalities, gender and fintech, legal gender equality and gender gaps. Building on the Gender Data Hub and the Inequality Toolkit, toolkits and datasets will be further developed in FY24. Guidance for country teams on completing "light touch" and "deep dive" analysis of gender issues was issued to area departments in March 2023. Additional guidance on gender and guidance on social spending is planned for FY24.

## C. Budget by Output

**22. Change by Output Area** (Figure 13). This section focuses on real FY24 funding changes in key activities highlighted in the Fall GPA and departmental accountability framework reports.

- **Country operations**. Bilateral surveillance and lending ($461 million) are proposed to increase by $17 million. Spending expectations for Fund-financed direct CD, excluding Fund-wide overheads ($63 million) are projected to rise by $3 million (Box 8). In addition, the FY24 budget comprises a second year of the increase in the limit on external funding to support enhanced CD related to the Fund's structural transformation agenda, with an increase of $7 million (3 percent).

- **Policy and analytics** ($107 million) represent an increase of $2 million.

  - **Fund policies.** Policy work will include reviews of the Transparency Policy and Data Provision to the Fund. On lending policy, work will focus on the Review of Precautionary Instruments and the Update on Crisis Response and Possible Ways Forward. Other policy work includes initial stages of the Review of CD Strategy and workstreams on debt, comprising an update on the contractual approach and the Common Framework and a discussion on debt restructuring challenges.

  - On the **analytical** front, priorities include work on geo-economic fragmentation; policy responses to commodity shocks; further work on operationalizing the integrated policy framework (IPF); monetary-fiscal interactions in inflation booms; non-bank financial intermediaries; and interplay between capital flows, CFMs and Crises. Other work includes energy transition, climate challenges in fragile states, international coordination of asymmetric policy mixes (green subsidies/carbon pricing), and green innovation.

- **Multilateral surveillance and global cooperation and standards** $178 million will remain unchanged in net terms. Work will focus on further analysis of economic interconnections and spillovers, including the implications of policy shifts in systemic economies. Global cooperation will focus on continuation of the AML/CFT Program and G20 guidance/notes on macro implications of crypto and on collateral in Debt financing.

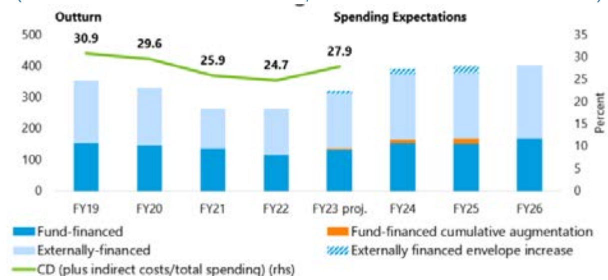
- **Fund governance and finances** ($168 million, unchanged in net terms). The focus will be on concluding the 16th General Review of Quotas before mid-Dec 2023 and the Fund's Governance Review**.** On Fund finances, work will include the ex-post report on the use of SDRs following the 2021 General SDR Allocation and initial review of the Resilience and Sustainability Trust.

- **Corporate functions** ($393 million, unchanged in net terms). Resourcing, mostly provided on a transitional or temporary basis, will support the multi-year HR modernization follow-on to the 1HR program, institutional mandates including the implementation of recommendations of the Institutional Safeguards Review (Box 9), broader work on diversity and inclusion, strengthening of the oversight and risk management functions, hybrid model implementation, field office connectivity, the review of the communications strategy, and ongoing standup of the Office of Transformation Management.

## Box 8. CD Composition and Evolution[1/]

**FY23.** Overall CD spending is expected to total $321 million by the end of FY23, an increase from $264 million in FY22 and approaching pre-crisis levels ($354 million, FY19), largely driven by renewed travel and related engagement of short-term experts. This includes $136 million in Fund-financed CD, up 17 percent from FY22, and $185 million in externally financed CD, up 26 percent. In-person engagement is ramping up rapidly across departments, even as virtual delivery remains a key modality. Field offices have also contributed to rising in-person CD delivery, including for FCS members.

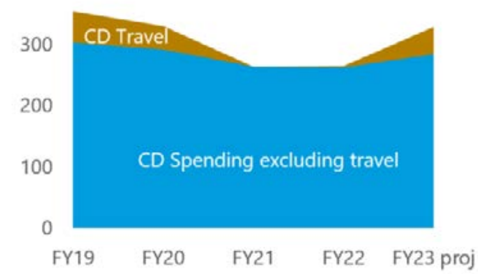
**Total CD Spending, FY19-26**
(Millions of FY23 US Dollars, unless otherwise indicated)




Sources: ICD, OBP, staff estimates. Bars include direct Fund and externally financed spending (excluding indirect costs).

**FY24.** As programmed, a quarter of augmentation resources have been allocated to CD, focused on FCS (46 percent), climate (24 percent) and digital money (17 percent). The $7 million increase in externally financed CD will also support increases focused on structural transformation areas.

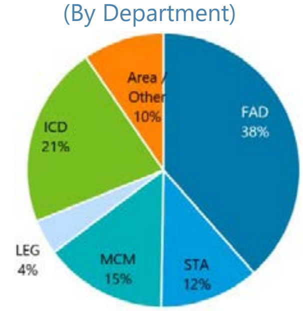
**Impact of Travel on CD Spending**
(Millions of FY23 US Dollars)



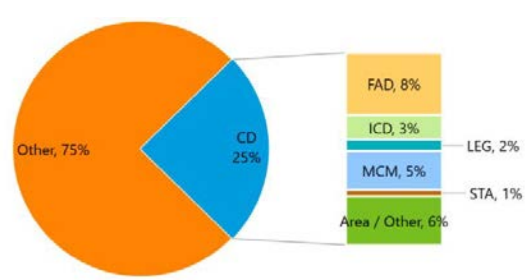

### Composition

- **Share of Fund output**: CD (including indirect costs) is expected to increase to 27.9 percent of total Fund's outputs, close to pre-pandemic level.
- **Funding source:** The balance of Fund- to externally financed CD will remain broadly stable, at about 42/58.
- **Regional distribution:** CD is expected to increase in all regions, with a rising share of total CD in APD and MCD, reflecting in part increased allocation to FCS.
- **Workstreams:** Revenue administration, tax and expenditure policy, PFM, debt, and financial supervision and regulation will remain the main areas in planned CD delivery, along with rising CD demand on macroeconomic frameworks and growing CD needs on digitalization, gender, climate change, and governance supported by increased resourcing.

**FY24 CD Spending Expectations**
(By Department)




**FY24 Fund-Financed CD Spending Expectations** (Departmental Share in CD Augmentation Allocation)

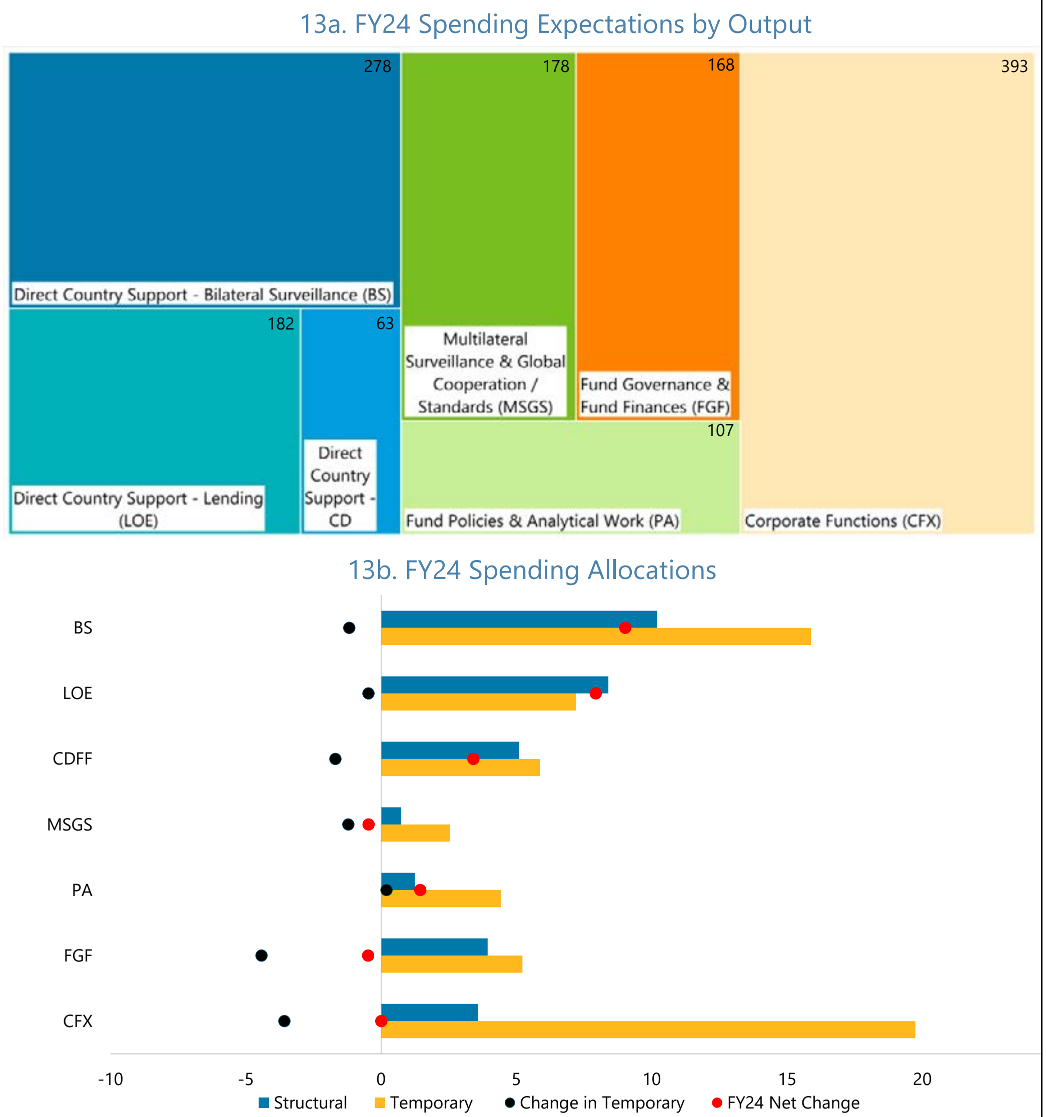



**Carryforward.** In FY23, The Board endorsed a carryforward policy for externally financed expenditures. This policy allows the use of unutilized resources up to 3 percent of the externally financed budget in the following FY.

[1/] Prepared by OBP and ICD.

**Figure 13. Fund-Financed Spending Expectations by Output, FY24[1/]**

(Millions of FY23 US Dollars)




Source: OBP and Departmental allocations. [1/]Excludes IMF Center/Misc. Includes business travel.

**Box 9. Institutional Safeguards Review (ISR) and Budget**

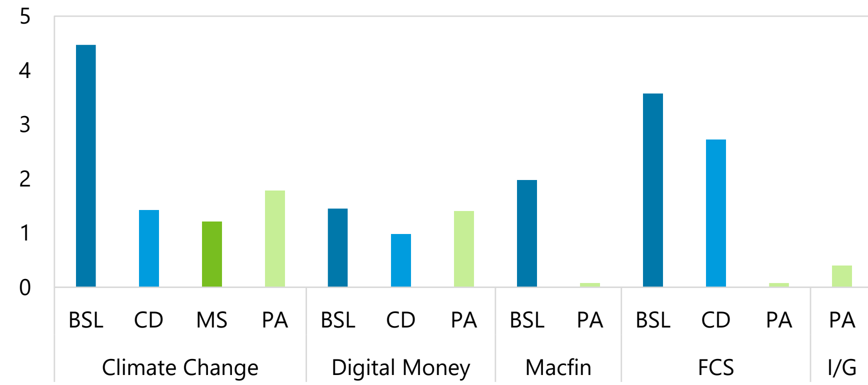
In December 2022, the Fund released an Implementation Plan (IP) responding to the recent review of existing institutional safeguard mechanisms related to data integrity and internal governance, including the Fund internal Dispute Resolution System (DRS).

The measures in the IP are rooted in the strong commitment of the Executive Board and Management to uphold the highest standards of institutional governance and data integrity. Initial resource implications have been incorporated in the FY24 budget formulation process, with expectation of additional resourcing in FY25 following further work on the design of some follow-up activities.

For FY24, key allocations include reinforcement of resourcing for the DRS offices, as well as HRD's administrative review and employee relations funding. To allow time for workforce planning, some related funding has been maintained in the central budget that will be distributed to these offices in early FY24.

**23. Augmentation by Output.** Augmentation resources are expected to support deliverables across output areas, with a focus on direct country support particularly linked to climate, macrofinancial surveillance and FCS engagement (Figure 14). Internal training to support mainstreaming is also resourced across most areas.

**Figure 14. FY24 Augmentation by Issue Area and Output[1/]**
(Millions of FY23 U.S. dollars)




Source: OBP [1/]Excludes overhead/travel. Global standard/cooperation incl in "Policy/ Analytics." BSL=Bilateral surv/Lending; MS=Multilateral surv; PA = Policy and analytics.

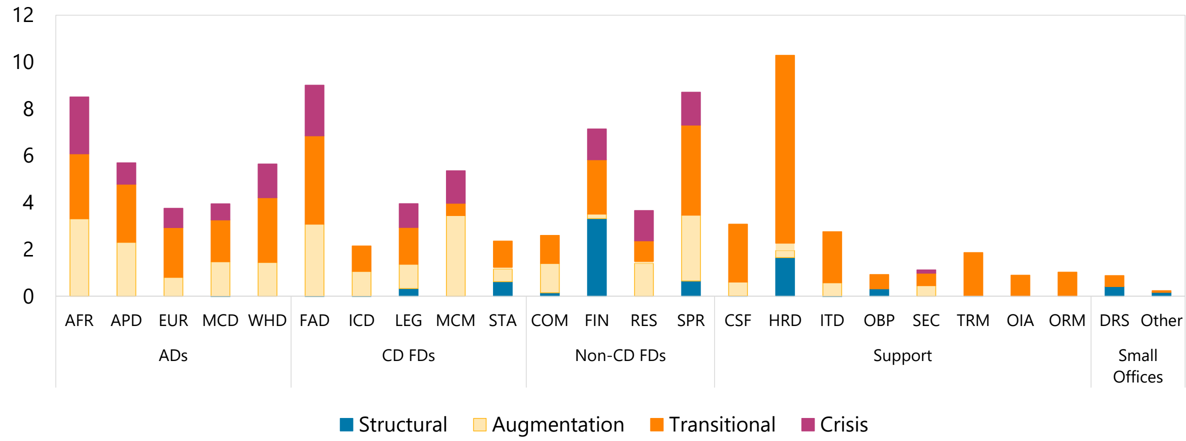
## D. Budget by Department

**24. Breakdown of real changes by department.** (Figure 15 and Tables 8-9).

- **Area departments** ($27.5 million increase relative to FY23 structural budget, including $9.3 million from augmentation). **AFR** will focus on program work, including through newly established instruments (RSF and the FSW under the RCF) and enhanced engagement with FCS. **APD** will respond to the rising demand for Fund financing in the region and link its work agenda to India's G20 Presidency and Japan's G7 chairmanship to enhance traction and further bring Asia's perspective to the global stage. **EUR** will focus on program work, including for countries affected by Russia's war in Ukraine, and center the analytical agenda and surveillance work on policies to address high inflation, lower growth, and tighter financial conditions. **MCD** will receive resources to scale up engagement with FCS and address a rapid surge in demand and complexity for Fund programs, including the RSF. **WHD** will provide financial support to help countries address vulnerabilities exposed by recent global developments, build resilience to external shocks through the RST, and advise on optimal policy response to tackle multiple crises.

- **Non-CD functional departments** ($22.1 million increase including $5.7 million from augmentation). **FIN** will focus on completing RST operationalization; rolling a new strategy to raise concessional resources; supporting the 16th General Quota Review, and HR Modernization. **RES** will lead analytical work on addressing challenges to the global economy and develop modeling tools to assess policies, including in LICs, IPF issues, and food security. **SPR** will concentrate on supporting countries with financial arrangements (including through the RSF) and in-depth Article IV Consultation in augmentation areas, debt issues, and stepping up engagement with various forums to seek global cooperation in an increasingly fragmented world. **COM** will leverage the Morocco AMs and center the Fund's messaging on Fund actions (e.g., RST, FSW), call for pragmatic multilateralism (including on debt, climate, and digital money), support for the 16th General Quota Review, and undertake a Communication Strategy Update.

**Figure 15. FY24 New Budget Allocations by Department**
(Millions of FY23 U.S. dollars)




Source: OBP. Note: Blue bar represents structural increases from baseline budget.

- **CD departments** ($22.8 million increase, including $9.2 million from augmentation). **FAD** will provide advice to address global challenges amid largely exhausted fiscal buffers and tightened financing conditions, with particular emphasis on protecting vulnerable groups and robust policy frameworks. **ICD** will serve as center of innovation in training including on augmentation areas and in the use blended CD delivery to boost membership's institutional capacity to analyze shocks and evaluate policy responses. It will also pursue further integration of CD and surveillance, through support to ADs and RCDCs, including in the context of the CD Strategy Review. **LEG** will focus on helping members to strengthen resilience, including anticorruption and the rule of law in FCS and sovereign debt. Other priorities include lending toolkit, the 16th GQR, and institutional priorities such as ERM and ISR. **MCM** will support members facing complex challenges related to persistent inflation and growing debt and financial stability risks. It will also help bolster resilience, including efforts to operationalize the IPF, enhance systemic risk analysis, deepen macrofinancial surveillance. **STA** will focus on the next generation of statistical manuals to address frontier issues, data provision for Surveillance, G20 data gaps initiative, debt transparency, and further integration of CD with surveillance and lending, with a focus on FCS.

- **Corporate functions** ($19.9 million increase including $2.2 million from augmentation). **CSF** will concentrate on the institutional efforts to calibrate work processes, services, and spaces to the hybrid work model, incorporating learning and relevant industry trends while maintaining staff safety and advancing creative and language services support for policy and country work. **ITD** will focus on improving internal ITD governance to drive successful implementation of the modernization projects, stabilizing ITD's new operating model, supporting the Fund's hybrid work model, strengthening cyber security maturity, and developing IT and Cybersecurity Strategy. **HRD** will receive resources to support institutional change stemming from the Institutional Safeguards Review and Staff surveys along with HRD operations improvement through enhancement of staff skills, stabilization of processes and technology. **SEC** will support completion of complex Fund-supported program and policy reviews, 16th GQR, Morocco AMs, and contribute to the modernization efforts, the improvement of Board operations and efficiency, and the strengthening of internal governance and institutional safeguards. **TRM** will focus on continued buildout, with ITD, of the governance framework for IT-intensive capital projects, refining tools and processes for project and change management, and strengthening business process reform in the Fund's modernization efforts.

## Table 8. Fund-Financed Budget Adjustments by Department, FY23–24

(Millions of FY23 U.S. dollars, unless otherwise noted)

| | FY23 Budget | | | | FY24 Proposed Adjustments | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Departments** | **Structural Budget** | **of which Augm.** | **Transitional** | **Crisis** | **New Structural Spending** | **Structural Savings** | **Net Structural Needs** | **of which Augm.** [1/] | **New Temporary Needs** | **of which Crisis** |
| **Area** | **333.5** | **5.2** | **7.4** | **12.3** | **14.9** | **5.8** | **9.2** | **9.3** | **18.3** | **6.3** |
| AFR | 102.1 | 1.8 | 0.9 | 4.9 | 3.3 | - | 3.3 | 3.3 | 5.2 | 2.4 |
| APD | 48.2 | 0.8 | 1.8 | 1.7 | 3.7 | 1.4 | 2.3 | 2.3 | 3.4 | 0.9 |
| EUR | 71.5 | 0.4 | 1.0 | 1.5 | 2.2 | 1.4 | 0.8 | 0.8 | 2.9 | 0.8 |
| MCD | 58.4 | 1.4 | 1.1 | 1.5 | 2.8 | 1.5 | 1.3 | 1.5 | 2.6 | 0.7 |
| WHD | 53.3 | 0.7 | 2.5 | 2.7 | 2.9 | 1.5 | 1.4 | 1.4 | 4.2 | 1.4 |
| **Functional Non-CD** | **188.9** | **4.5** | **6.1** | **8.4** | **23.3** | **13.4** | **9.9** | **5.7** | **12.3** | **4.0** |
| COM | 41.4 | 0.6 | 0.7 | 0.4 | 3.2 | 1.8 | 1.4 | 1.3 | 1.2 | - |
| FIN | 40.7 | - | 2.9 | 2.6 | 6.7 | 3.1 | 3.5 | 0.2 | 3.6 | 1.3 |
| RES | 39.4 | 1.0 | 1.1 | 2.4 | 3.5 | 2.0 | 1.5 | 1.5 | 2.2 | 1.3 |
| SPR | 67.4 | 2.9 | 1.4 | 3.0 | 9.9 | 6.5 | 3.5 | 2.8 | 5.3 | 1.4 |
| **Functional CD** | **305.3** | **8.6** | **8.8** | **9.1** | **21.8** | **11.6** | **10.2** | **9.2** | **12.6** | **4.6** |
| FAD | 66.3 | 2.3 | 3.0 | 4.3 | 4.0 | 1.0 | 3.1 | 3.1 | 5.9 | 2.2 |
| ICD | 51.1 | 0.8 | 1.4 | - | 5.0 | 4.0 | 1.1 | 1.1 | 1.1 | - |
| LEG | 33.5 | 0.7 | 1.4 | 2.0 | 2.2 | 0.8 | 1.4 | 1.0 | 2.6 | 1.0 |
| MCM | 97.9 | 3.2 | 1.0 | 2.8 | 6.1 | 2.7 | 3.4 | 3.4 | 1.9 | 1.4 |
| STA | 56.3 | 1.7 | 2.0 | - | 4.4 | 3.2 | 1.2 | 0.6 | 1.1 | - |
| **Support** | **317.7** | **3.0** | **16.4** | **5.0** | **12.1** | **9.9** | **2.2** | **2.2** | **17.7** | **0.1** |
| CSF | 109.7 | 0.5 | 1.5 | 4.4 | 5.6 | 5.0 | 0.6 | 0.6 | 2.5 | - |
| HRD | 44.0 | 1.2 | 8.7 | - | 2.6 | 0.4 | 2.3 | 0.6 | 8.0 | - |
| ITD | 112.9 | 0.6 | 3.1 | 0.4 | 1.4 | 2.9 | (1.5) | 0.6 | 2.2 | - |
| OBP | 5.9 | - | 1.0 | 0.0 | 0.7 | 0.4 | 0.3 | - | 0.6 | - |
| OIA | 6.1 | - | 0.4 | - | - | - | - | - | 0.9 | - |
| ORM | 4.9 | - | 0.2 | - | - | - | - | - | 1.0 | - |
| SEC | 25.6 | 0.6 | 0.5 | 0.3 | 0.5 | - | 0.5 | 0.5 | 0.7 | 0.1 |
| TRM | 8.6 | - | 1.0 | - | 1.3 | 1.3 | 0.0 | - | 1.8 | - |
| **Small Offices** | **22.0** | **-** | **0.8** | **-** | **0.7** | **0.1** | **0.6** | **-** | **0.4** | **-** |
| DRS | 5.2 | - | 0.1 | - | 0.5 | 0.0 | 0.5 | - | 0.3 | - |
| **Center 2/** | **26.4** | **1.5** | **12.7** | **0.5** | **7.2** | **6.0** | **1.2** | **0.0** | **4.4** | **-** |
| **Other** | **100.8** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| OED | 80.1 | - | - | - | - | - | - | - | - | - |
| IEO | 7.2 | - | - | - | - | - | - | - | - | - |
| Central HR programs | 13.5 | - | - | - | - | - | - | - | - | - |
| **Total** | **1,294.6** | **22.8** | **52.2** | **35.4** | **80.0** | **46.8** | **33.2** | **26.6** | **65.8** | **15.0** |
| Central resources | | | | | | 6.6 | (6.6) | | (65.8) | |
| **Grand total** | **1,294.6** | **22.8** | **52.2** | **35.4** | **80.0** | **53.4** | **26.6** | **26.6** | **0.0** | |

Sources: OBP estimates and departmental submissions. [1/] A small portion of augmentation funds have been provided on a transitional basis. [2/] Includes a $6.6 million structural reserve.

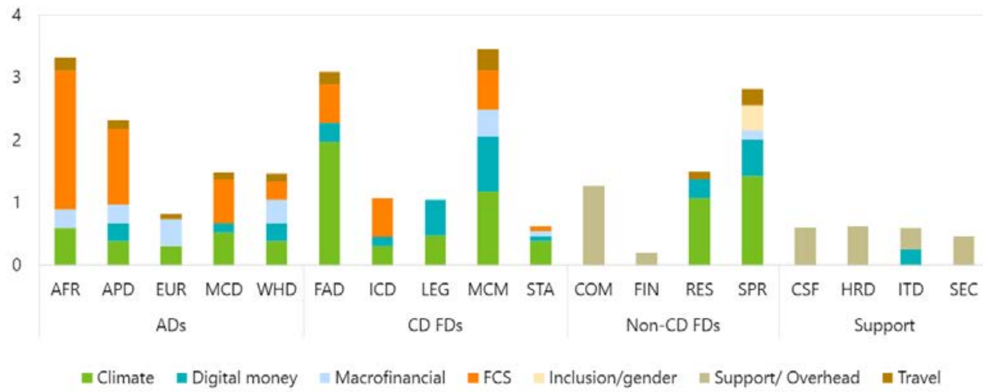
## Table 9. FTE Changes by Department, FY23–24

| | FY23 Budget | | | | FY24 Proposed Adjustments | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Departments** | **Structural Budget** | **of which Augm.** | **Transitional** | **Crisis** | **New Structural Spending** | **Structural Savings** | **Net Structural Needs** | **of which Augm.** | **New Temporary Needs** | **of which Crisis** |
| **Area** | **795.6** | **12.0** | **17.2** | **34.0** | **39.4** | **18.4** | **21.0** | **21.0** | **41.0** | **17.0** |
| AFR | 231.9 | 3.0 | 3.0 | 14.0 | 7.0 | - | 7.0 | 7.0 | 13.5 | 7.0 |
| APD | 115.7 | 2.5 | 3.0 | 5.0 | 10.0 | 5.5 | 4.5 | 4.5 | 6.5 | 2.5 |
| EUR | 173.9 | 1.5 | 3.0 | 4.0 | 6.5 | 4.0 | 2.5 | 2.5 | 6.0 | 2.0 |
| MCD | 139.5 | 3.0 | 2.0 | 4.0 | 6.9 | 3.9 | 3.0 | 3.0 | 5.0 | 2.0 |
| WHD | 134.5 | 2.0 | 6.2 | 7.0 | 9.0 | 5.0 | 4.0 | 4.0 | 10.0 | 3.5 |
| **Functional Non-CD** | **535.6** | **15.0** | **20.0** | **25.0** | **72.1** | **44.6** | **27.5** | **14.5** | **32.5** | **12.0** |
| COM | 93.0 | 2.0 | 3.0 | - | 7.0 | 4.0 | 3.0 | 2.0 | 0.5 | - |
| FIN | 130.5 | - | 10.0 | 9.0 | 22.5 | 11.5 | 11.0 | 1.0 | 12.0 | 4.0 |
| RES | 116.0 | 3.5 | 2.5 | 7.0 | 10.8 | 6.8 | 4.0 | 4.0 | 6.0 | 3.5 |
| SPR | 196.1 | 9.5 | 4.5 | 9.0 | 31.9 | 22.4 | 9.5 | 7.5 | 14.0 | 4.5 |
| **Functional CD** | **757.9** | **20.1** | **13.1** | **28.0** | **63.9** | **35.2** | **28.7** | **24.7** | **26.0** | **14.0** |
| FAD | 168.5 | 5.0 | 0.5 | 15.0 | 12.0 | - | 12.0 | 9.0 | 8.5 | 7.5 |
| ICD | 131.2 | 1.5 | 4.0 | - | 14.0 | 12.0 | 2.0 | 2.0 | 3.0 | - |
| LEG | 89.5 | 2.3 | 4.2 | 5.0 | 7.2 | 3.0 | 4.2 | 3.2 | 7.5 | 2.5 |
| MCM | 238.9 | 9.0 | 3.0 | 8.0 | 18.7 | 9.2 | 9.5 | 9.5 | 6.0 | 4.0 |
| STA | 129.8 | 2.3 | 1.4 | - | 12.0 | 11.0 | 1.0 | 1.0 | 1.0 | - |
| **Support** | **569.0** | **7.0** | **22.0** | **1.0** | **42.0** | **17.0** | **25.0** | **5.0** | **18.9** | **-** |
| CSF | 163.2 | 1.0 | 2.0 | - | 12.0 | 9.0 | 3.0 | 1.0 | 1.5 | - |
| HRD | 113.0 | 3.0 | 13.0 | - | 10.0 | 2.0 | 8.0 | 1.0 | 8.0 | - |
| ITD | 149.1 | 1.0 | 1.0 | - | 10.0 | - | 10.0 | 1.0 | - | - |
| OBP | 17.7 | - | 2.0 | - | 3.0 | 2.0 | 1.0 | - | 1.0 | - |
| OIA | 19.0 | - | - | - | - | - | - | - | 1.0 | - |
| ORM | 17.0 | - | - | - | - | - | - | - | 2.0 | - |
| SEC | 68.0 | 2.0 | 2.0 | 1.0 | 2.0 | - | 2.0 | 2.0 | 3.0 | - |
| TRM | 22.0 | - | 2.0 | - | 5.0 | 4.0 | 1.0 | - | 2.4 | - |
| **Small Offices** | **56.5** | **-** | **2.0** | **-** | **2.0** | **0.5** | **1.5** | **-** | **-** | **-** |
| DRS | 4.0 | - | - | - | - | - | - | - | - | - |
| **Center** | - | - | 4.0 | - | - | - | - | - | - | - |
| **Other (OED, IEO)** | **278.7** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| OED | 240.4 | - | - | - | - | - | - | - | - | - |
| IEO | 15.0 | - | - | - | - | - | - | - | - | - |
| Central HR programs | 23.3 | - | - | - | - | - | - | - | - | - |
| **Total (excl. donor financed)** | **2,993.1** | **54.1** | **78.3** | **88.0** | **219.4** | **115.7** | **103.7** | **65.2** | **118.4** | **43.0** |
| **Donor financed** | **110.6** | **-** | **-** | **-** | **4.1** | **-** | **4.1** | **-** | **-** | **-** |
| **Grand Total** | **3,103.7** | **54.1** | **78.3** | **88.0** | **223.5** | **115.7** | **107.8** | **65.2** | **118.4** | **43.0** |

Sources: OBP estimates and departmental submissions.

**25. Augmentation resources** (Figure 16). Resources for bilateral surveillance and lending are allocated to area and functional departments, with experts from functional departments supporting country teams for Article IV consultations and program engagements. Funds to AFR and MCD will mainly focus on FCS, while resources to FAD and MCM reflect their roles in climate, digital money, and macrofinancial surveillance. Resourcing for support departments related to service provision to the additional workforce.

**Figure 16. FY24 Augmentation Allocation by Department and Issue Area**
(Millions of FY23 U.S. dollars)



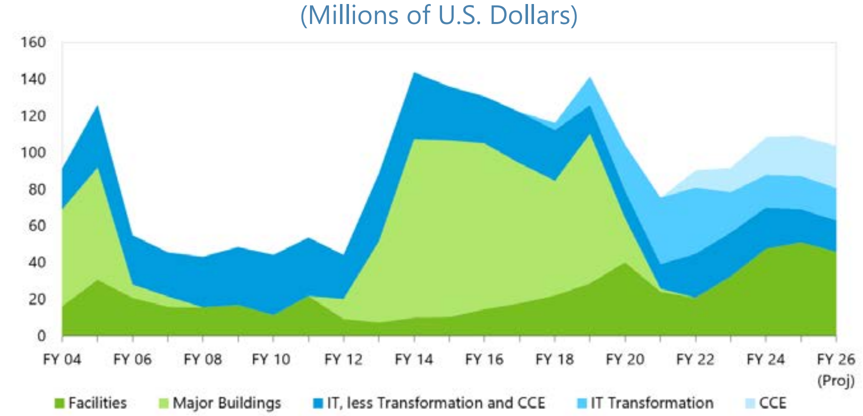

Source: OBP

# SECTION VI. CAPITAL BUDGET

## A. FY23 Capital Spending

**26. FY23 Capital nominal spending** is estimated at $91.3 million, including $78.3 million in direct capital spending and $13 million in cloud-related licenses (Figure 17, Table 10). This compares to $165.7 million in available resources in FY23 (reflecting the availability of capital funding over three cycles) and an outturn of $89.8 million in FY22.

**Figure 17. Capital Spending, FY04–26[1/]**
(Millions of U.S. Dollars)




Source: ITD, CSF, TRM, and OBP. [1/]FY24 Estimated. FY25-26 Projected

- **Facilities.** Spending is estimated at $33.7 million, versus $72.6 million in FY23 available resources and a $21.5 million outturn in FY22. Lifecycle projects make up two-thirds of spending, including completion of the HQ1 furniture replacement, audio-visual equipment updates, HQ1 restrooms and sidewalk upkeep, and other back-office equipment replacements. Remaining resources are funding workspace improvements to accommodate staff growth and enable hybrid work and meetings. Uncertainties related to supply chain and long lead times could affect final projections. About $12.5 million in lapsed funds are projected largely due to the pause in furniture replacement during the pandemic.

- **IT-intensive capital.** Outturn is projected at $44.6 million versus available resources of $62.6 million in FY23 and a $60.0 million outturn in FY22. Approximately $18.0 million in unused funding from prior years is expected to be available in FY24.

**Table 10. Capital Expenditures, FY22–23[1/]**
(Millions of U.S. dollars)

| | Spending | | FY23 |
|---|---|---|---|
| | FY22 | FY23 (Est.) | Avail. |
| **Total Capital** | **89.8** | **91.3** | **165.7** |
| Facilities | 21.5 | 33.7 | 72.6 |
| HQ1 Renewal | -0.8 | 0.0 | 15.5 |
| IT Cloud Capital Equivalent | 9.1 | 13.0 | 15.0 |
| Information Technology | 60.0 | 44.6 | 62.6 |
| Key Modernization Proj. (& pre-reqs) | 36.0 | 20.8 | 26.5 |
| New Investments | 9.7 | 11.8 | 21.1 |
| Infrastructure end-of-life | 14.3 | 12.0 | 15.0 |
| *Memorandum items* | | | |
| IT Capital + Cloud | 69.1 | 57.6 | 77.6 |

Source: ITD, CSF, TRM, OBP. [1/]Approved funds available for 3 yrs.

  - **Key Modernization projects.** FY23 spending is estimated at $20.8 million (compared to $36.0 million in FY22), reflecting a focus on stabilization and work on in-train modernization projects as described below.

  - **Other projects.** Aggregate FY23 outturn for other IT investments and infrastructure end-of-life projects is estimated at $23.8 million, in line with FY22 ($24.0 million).

  - **Cloud Capital Equivalent (CCE)**. Cloud license spending in FY23 is expected to be $13.0 million, relative to $15.0 million budgeted and $9.5 million budgeted in FY22. ITD is updating its cloud strategy to address the rapid rise in cloud costs, reflecting in part the scaling up of cloud-supported systems, but also pricing pressures. Similar pricing pressures related to MSP costs and the related issues of ongoing administrative costs are likewise under review (Box 10).

**27. Strengthening Capital Governance.** Work on building stronger governance mechanisms for IT-intensive capital projects is ramping up following establishment of the Office of Transformation Management (TRM) last year and with ongoing realignment of ITD under the new CIO. Stand-up of these functions will continue over the three-year budget period to guide planned governance efforts (Box 11).

### Box 10. Cloud and Managed Service Provider (MSP) Cost Pressures

**Cloud Costs.** Governance improvements and changes to the budget treatment of cloud licenses made in FY22 (with the introduction of the CCE) have supported transparency as the Fund increases reliance on cloud-based solutions. While cloud solutions can support resiliency, efficiency, security and sustainability, the Fund's cloud license costs have been rising faster than programmed - from $9.5 million budgeted in FY22 to $20.3 million projected for FY24 and with an additional $2.4 million through FY26 in future cloud costs associated with ongoing projects. The rise in cloud license costs reinforces the need for a review of the Fund's cloud strategy, supported by close, ongoing monitoring. ITD, in collaboration with TRM and OBP, is strengthening due diligence and approval procedures, as well as monitoring of cloud costs. Targeted areas for improvements include: (i) modification of the cloud strategy to ensure optimization of the use of cloud solutions based on value in addressing business needs; (ii) better estimation of cloud costs and more informed decision-making; (iii) optimization of cloud licenses and consolidation, where feasible; and (iv) more robust tools and processes to monitor costs and ensure financial sustainability.

**MSP Costs.** In FY21, ITD adopted a new MSP model to address the need for diversification, expanded capabilities, and segregation of duties. Implementation experience has revealed several challenges with the current model, including a high MSP learning curve, recognizing the Fund's complex, custom, and in some cases antiquated systems; high MSP staff turnover; and price pressures from a very volatile and competitive IT market. The limitations of the IT MSP operating model have affected costs and schedules for ongoing projects and pose long-term support risks. Project costs are also affected by longer-than-anticipated timelines and mid-course updates to needs. In addition to ongoing work to strengthen project scoping and monitoring, ITD is recalibrating its MSP model and exploring improvement options including insourcing specialized and niche areas; strengthening focus on scope, SLAs and rates; strengthening MSP capacity and skills; outsourcing of commoditized services; and improving systems and tools for vendor management, including under a recently initiated capital project.

### Box 11. Revamping the Fund's Governance Framework for IT-Intensive Capital Projects

**Context.** The establishment of TRM in late FY22 and ITD realignment initiated in FY23 are a direct response to the need to build out oversight structures and program skills to support more robust planning and implementation for IT-intensive capital projects, in close coordination with OIA, ORM, and project sponsors.

**Build-out of Strengthened Framework.** Plans to strengthen the governance framework for IT-intensive capital projects draw on OIA advice and broader lessons from experiences. Key milestones are shown below.

**Year 1 - Realign & Build**

- Update governance/oversight and central support framework
- Standardize roles & Fund-wide end-to-end procedures. Templates and timelines for reporting at all levels.
- Reprioritize IT-intensive capital portfolio and restructure ITD.

**Year 2- Enhance**

- Build out training and capacity to assist departments with modernization process
- Develop IT strategy and roadmap aligned with modernization agenda
- Deepen staff engagement, report trends analysis on staff satisfaction

**Year 3- Embed**

- Review progress & set out objectives for maturation of governance framework
- Ensure standardized change management and business process review
- Review training curriculum for program and change management

## B. FY24 Capital Spending

**28. Proposed budget** (Table 11). The proposed FY24 capital envelope is $108.3 million in current dollars including CCE, relative to $77.9 million in FY23 (Table 10). The increase is driven by the resumption of facilities-related investments after a period of stabilization that allowed for completion of ongoing projects and better assessment of hybrid workspace needs. This includes expenses related to field offices. A projected increase in cloud costs also contribute to the higher overall capital envelope relative to FY23. The envelope provides space to support hybrid work and augmentation-related staff growth, investments to replace aging building equipment, and priority projects related to security and ongoing key modernization.

- **Facilities.**
  - Staff proposes a facilities budget of $47.4 million, about $28.5 million higher than FY23 and $11.4 million above last year's FY24 estimate. The funding needs in the last two years were reduced from previous levels to: (i) improve the sequencing of the large building equipment and systems lifecycle replacements that were in progress; and (ii) reassess the types of investments needed to accommodate the hybrid work model and space needs. To address the volatility of the market, variability of inflation, and supply chain impacts, CSF has secured a construction cost analysis firm to assist in the validation and ongoing monitoring of project budgets and schedules.
  - The FY24 proposal includes $33.7 million to continue necessary lifecycle replacements, of which approximately $20 million is for large and critical HQ1 building systems equipment replacements and refurbishments (including chillers $3m, elevators $3m, generator $3m, electrical substations $12m). These systems had not reached end-of-life at the time of the HQ1 Renewal project. Audiovisual funding needs of $2.3 million are lower than previous years because supply chain and pandemic-related implementation delays have resulted in a build-up of previously appropriated funds. The funds are being used to update core AV systems and equipment in hybrid-enabled conference rooms. Despite the lower request, AV investments are critical to enable the hybrid work model and support increased demands for high quality broadcast services. Future audiovisual funding needs are expected to return to previous levels.
  - New investments of $12.8 million include: 1) $5.5 million to continue workplace redesign and HQ space configuration to accommodate staff growth within the finite HQ space. Investments in HQ space reconfiguration avoid the need to lease external space, which would require significant lease costs (estimated at $13-16 million per year), 2) $5 million for field office opening, expansion and improvement supporting new programs and implementation of the FCS strategy. Including these expenses in the capital budget aligns the funding source for field-based facilities with that for parallel HQ-based facilities spending and recognizes the inherent volatility linked to program activity and its impact on field presence and real estate needs, and 3) $2.3 million for initial investments to improve

building efficiency and advance sustainability goals. To address the volatility of the market, variability of inflation, and supply chain impacts, CSF has secured a construction cost analysis firm to assist in the validation and ongoing monitoring of project budgets and schedules.

**Table 11. Medium-Term Capital Budget, FY23–26**
(Millions of U.S. Dollars)

| | FY23 | FY24 | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|
| | Approved | Projected in FY23-25 MTB | Proposed | Indicative | |
| **Total (Capital + Cloud)** | **77.9** | **90.9** | **108.3** | **110.1** | **104.8** |
| **Total (Capital)** | **62.9** | **73.9** | **88.0** | **87.2** | **80.8** |
| **Building Facilities** | **18.9** | **36.0** | **47.4** | **51.0** | **45.8** |
| *of which:* | | | | | |
| Lifecycle replacements and repairs | 12.7 | 29.2 | 33.7 | 33.4 | 26.3 |
| HQ1/HQ2/Concordia | 6.5 | 23.8 | 31.4 | 28.4 | 21.3 |
| Audio-visual | 6.2 | 5.4 | 2.3 | 5.0 | 5.0 |
| New Investments | 4.1 | 2.5 | 12.8 | 15.6 | 17.5 |
| Vehicles | 2.1 | 2.0 | 1.0 | 2.0 | 2.0 |
| **Information Technology** | **44.0** | **38.0** | **40.5** | **36.2** | **35.0** |
| Capital Investments | 44.0 | 38.0 | 40.5 | 36.2 | 35.0 |
| *of which:* | | | | | |
| Key Modernization Projects (& pre-reqs) | 22.0 | 14.5 | 18.0 | 18.0 | 18.0 |
| New Investments | 13.0 | 15.0 | 14.0 | 11.1 | 10.0 |
| *Of which* : Information Security | 3.0 | 5.3 | 6.0 | 3.3 | 2.0 |
| Infrastructure end-of-life | 9.0 | 8.5 | 8.5 | 7.1 | 7.0 |
| **Cloud Capital Equivalent** | **15.0** | **17.0** | **20.3** | **22.9** | **24.0** |

Source: ITD, CSF, TRM, and OBP. Note: Figures may not add to totals due to rounding

- **IT-intensive capital.** The proposed IT-intensive capital budget is $60.8 million, including CCE, compared to $59 million in FY23. This reflects an increase in cloud subscriptions to $20.3 million, offset by a $3.5 million reduction in IT capital investments to $40.5 million. Within this envelope, a slightly lower upfront envelope modernization projects focuses largely on completing in-train projects and scoping for new projects; any additional FY24 needs for HR modernization or other pipeline projects will be funded from available resources within the overall FY24 IT-intensive capital envelope. Other investments include information security, vendor and third-party risk management, data privacy, and other critical business systems and lifecycle replacements. A fuller update will be included in the semi-annual modernization report this summer.
  - **CCE.** As discussed in Box 10, FY24 cloud costs are projected to increase to $20.3 million.
  - **Key modernization projects** ($18.0 million): The focus for FY24 will remain on implementing the ongoing modernization projects and ensuring a robust assessment of business needs, delivery capacity, and project readiness (Table 12).
    - **Nexus:** This project will replace the Fund's document management platform. Timing for the final and largest release, originally anticipated in CY22 is delayed, driven by

implementation partner staffing interruptions, as well as design updates to reinforce security. A separate project, utilizing the Nexus platform to support more automated processes for dissemination of CD documents, is also expected in FY24.

**Table 12. Estimated Capital Needs for Key Modernization Projects, FY23-24**
(Millions of U.S. dollars)

| | Overall Project | | | | FY 23 | FY 24 | |
|---|---|---|---|---|---|---|---|
| | Total Estimated Project Cost | Approved to date | Estimated spend to date (end FY23) | Approved resources remaining | Est. FY23 outturn | Est. FY24 spend | Of which, FY24 increase from Approved |
| **Key Modernization + Prerequisites** | **84.7** | **72.5** | **63.0** | **9.5** | **20.8** | **27.8** | **18.0** |
| **Key Modernization** | **68.3** | **56.4** | **47.7** | **8.7** | **18.5** | **27.2** | **17.7** |
| Nexus | 26.1 | 25.1 | 21.1 | 4.0 | 6.5 | 5.0 | 1.0 |
| iData | 31.9 | 23.5 | 19.0 | 4.5 | 8.5 | 10.5 | 6.0 |
| HR Modernization [1/] | 3.0 | 0.8 | 0.8 | 0.0 | 1.4 | 2.2 | 2.2 |
| 1HR Closeout | | | | | 0.6 | | |
| CCBR-Related Pension Updates | 3.0 | 0.8 | 0.8 | 0.0 | 0.8 | 2.2 | 2.2 |
| IDW-Related Modules [2/] | 7.3 | 7.0 | 6.8 | 0.2 | 2.1 | 7.5 | 8.5 |
| Intranet (Scoping) | 7.3 | 1.2 | 1.2 | 0.0 | 1.2 | 4.5 | 4.5 |
| Document Workflow/Review | | 0.9 | 0.9 | 0.0 | 0.9 | 4.0 | 4.0 |
| Customer Relationship Management | | 0.2 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 |
| IDW- Initial Scoping | | 4.7 | 4.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unallocated | | | | | | 1.0 | 0.0 |
| **Prerequisites projects** | **16.4** | **16.1** | **15.3** | **0.8** | **2.3** | **0.6** | **0.3** |
| Corp Data Warehouse | 9.6 | 9.3 | 9.3 | 0.0 | 1.0 | 0.3 | 0.3 |
| IAM Replacement | 6.8 | 6.8 | 6.0 | 0.8 | 1.3 | 0.3 | 0.0 |

Source: TRM; ITD. [1/]Additional FY24 needs will be funded from the FY24 IT-intensive capital envelope. [2/]Includes initial, high-level vision, scoping, and design work of the IDW not allocated to sub-projects.

- **iData:** This project will modernize the Fund's economic data management and dissemination systems, replacing end-of-life legacy systems. While the buildout of the project is advancing, an update to the project budget is being finalized to address significant cost pressures due to higher-than-expected Managed Service Provider and software license costs that will affect both project and recurring costs for post-launch maintenance. The project timeline and contingency measures are also be updated to ensure sufficient time to support effective data migration and change support.

- **iDW-related Modules:** The first of five modules, to support staff collaboration through the launch of Teams and One-Drive, was successfully completed in FY23. Post-implementation actions include efforts to help staff maximize the capabilities of key tools. Other modules were rescheduled, reflecting a broader effort to moderate the pace of modernization efforts and to allow additional time for preparation. Two projects in their scoping phase during FY23 are expected to commence implementation in FY24: (i) a modern Intranet to improve tools for internal communications and knowledge sharing; and (ii) a document workflow and review system to support transparency and comprehensiveness of the Fund's interdepartmental review process. This project will take into account review-related measures in the Institutional Safeguards Review and an associated OIA review. Two other modules, related to client-relationship management and document analytics will be taken up as capacity constraints ease.

  - **HR Modernization**: As agreed with the Board in July 2022, the work on HR modernization is being reset, reflecting lessons from the 1HR program, which itself is to close formally by end-FY23. A three-stage effort was set out by HRD, building on OIA advice to stabilize HR operations, simplify policies and procedures and eventually resume technology implementation. HRD is leading the development of a comprehensive program framework for this work, in close coordination with ITD and FIN and with support from TRM. Any additional FY24 program needs, based on the planning work currently underway, will be funded from available resources within the overall FY24 IT-intensive capital envelope. Regular updates are provided in the semi-annual modernization updates by TRM and in OIA semi-annual reviews of progress.
  - **Pipeline**. Additional transformation projects are expected to be considered during FY24, including the initiation of scoping work for modernization of budget systems and the revamp of imf.org.

- **Other new investments** total $14.0 million in FY24, including $6.0 million in information security investments. The proposal includes investments in the core banking and SWIFT systems; procurement, third-party risk and vendor management platform; the EU Pillar Assessment. Modernization-related prerequisite projects total $0.3 million, for the second and final phase of the Corporate Data Warehouse (CDW) project.
- **Lifecycle replacements and IT infrastructure** total $8.5 million. In addition to funding upgrades of network equipment, servers, and storage capacity, these investments will fund the upgrade of fund laptops and conference room equipment to support hybrid work.

**29. Medium-term.** Medium-term facilities investments include funding to complete current HQ1 building systems lifecycle projects, new workplace redesign investments to support staff growth and hybrid needs, and initial planning and design work for the HQ2 building renovation. The HQ2 building has reached the point in its lifecycle when the planning for replacement of critical building systems and updates to configuration need to commence. The current condition of building systems provides adequate time to take stock of evolving business needs and the hybrid experience so that future investments deliver a fit-for-purpose space. Other proposed investments in the medium-term include renovation of the auditorium in HQ1, meeting space to support virtual/hybrid missions, and efforts to further the greening of Fund operations. IT-intensive investments will be informed by the forthcoming IT strategy and road-mapping process, which will provide a structured assessment of business needs and delivery capacity.

# SECTION VII. RISKS

**30. Budget risks.** Consistent with the Fund's Enterprise Risk framework, OBP staff conducted a risk self-assessment to identify and assess the most critical enterprise risks in the context of the FY24-26 Medium-term Budget (Table 13). The assessment recognizes that while risk mitigation activities are embedded in the budget, significant residual risk related to external drivers can only be partly addressed through risk management.

- **Core country activity.** Large uncertainties remain related to the global economic and financial developments and their impact on demand for Fund services from member countries. Departmental projections at the time of budget formulation form the baseline for program and the intensity of country engagement, with expectations for more complex UCT programs, expanded operations and related work on the RSF and catalyzing private climate financing in RSF recipient countries, and ongoing emergency lending, including through the recently created food shock window. Demand above the envisaged levels would require postponement or cancellation of some activities in the context of an already constrained resource base. Key mitigation measures in this area include periodic risk updates on scenarios of program activity, continued incorporation of risk considerations into budget planning, contingency planning, maintenance of a small central contingency reserve, and risk-based resource allocation.

- **Implementation of strategies supported by the augmentation.** Key budget execution risks stem from delays in acquiring and onboarding requisite skillsets and for escalation of demand at a pace faster than the Fund can effectively absorb. Actions to mitigate these risks include a multipronged human resources strategy, periodic review of output priorities to reflect experience and new information, and ongoing efforts to ensure that cross-departmental work is well coordinated and that transparent accountability structures bring predictability to functional departments' support to country teams.

- **Inflation uncertainty.** Greater inflation uncertainty could complicate the execution of the budget. The main risk is unexpected price increases in non-personnel categories, such as travel, services, and economic data that could put pressure on resources for core services. OBP will work with departments to monitor underlying prices related to core Fund expenditure. In principle, internal reprioritization and some use of central contingency could help manage this risk in the near term.

- **Staff health and safety.** Persistent high work pressures in the shock-prone global environment could have implications on staff health and on the execution of core activities, as evidenced in the health and well-being scorecard in Annex I of the 2023 Medical Benefits Plan—Annual Review of Finances . For many staff, particularly in the frontline departments, work pressures could increase further, leading to risks of health issues and burnout. Mitigation actions include continued focus on reprioritization, including at the work program level, to manage competing demands within a constrained budget environment; monitoring indicators of work pressures to identify measures to address areas of where these pressures are highest; and progress in implementing the recommendations of the IMF's Mental Health Strategy.

**Table 13. Enterprise Risk Self-Assessment for Medium-Term Budget**

| Risk | Risk Description | Risk Mitigation | Residual Risk Assessment | |
|---|---|---|---|---|
| Risks identified | Nature/root cause for the risk | Description of mitigation of risks incurred by the proposal | Likelihood | Impact |
| Budget allocation risk: Increase in Country/Program Needs | Uncertainty for country engagements and complex UCT programs *(Member engagement)* | Continuous reprioritization, monitoring, and updates to program activity scenarios, buffers | Possible | Moderate |
| Budget execution risk: Augmentation Implementation | Delays in bringing skillsets could undermine the ramp-up in key issue areas *(Recruitment and hiring)* | Continued implementation of augmentation hiring and talent deployment strategy, with monitoring | Possible | Somewhat major |
| Budget execution risk: Inflation Developments | Greater inflation uncertainty complicates budget formulation and management in non-personnel categories *(Budget adequacy)* | Internal reprioritization and some use of central contingency could help in the near term. But close monitoring of budget developments is crucial. | Possible | Somewhat moderate |
| Budget execution risk: Staff Health and Safety | Impact of high work pressures on staff in the new shock-prone global environment *(Physical and mental health)* | Reprioritization, monitoring indicators of work pressures to identify and address areas of heightened pressure, and progress with recommendations of the Fund Mental Health Strategy. | Likely | Somewhat moderate |
| Budget execution risk: Travel | Mission resumption and travel costs above projections *(Budget adequacy)* | Prioritize travel needs consistent with needed return to in-person engagement | Possible | Somewhat moderate |
| Budget execution risk: Modernization Projects | Delays, unanticipated ramp-up pressures on staff, and cost overruns *(Project risks)* | Strengthened governance and organizational capacity to support IT-intensive capital investments; IT intensive capital portfolio review | Possible | Moderate |
| Budget risk: CD Fundraising | Competing demands for donor resources and a pick-up in CD execution could reduce CD funding over the medium term *(Member engagement)* | Diversify donor support and increase flexibility of donor resources and funding vehicles | Possible | Somewhat major |
| Budget execution risk: Implementation of Hybrid Model | Adaptation to new model, office space, & tech constraints could reduce effectiveness and increase cost of hybrid model *(Project risks)* | Adoption of best practices, new technology, flexible space options, facilities renovations and capital investments, and optimization of in-person travel missions vs virtual engagement | Possible | Minor |

- **Travel.** With the normalization of business travel, resumption of in-person missions together with recent spikes in travel prices could drive pressure for higher-than-budgeted spending. To mitigate this risk, departments will need to prioritize travel in a manner consistent with preserving space for essential in-person missions, with monitoring support from OBP.

- **Key Modernization projects.** Impact of delays and gaps in the implementation of key modernization programs risks cost overruns, additional staff pressures, and unrealized productivity gains. Historic underinvestment has also led to legacy systems not fit for purpose that contribute to fragmented and inefficient processes with higher administrative costs. Key risk mitigation actions include the recent efforts to revamp the Fund's governance framework for IT-intensive capital projects, along with the ongoing IT intensive capital portfolio review. Such actions will support more robust planning and implementation.

- **CD fundraising.** Relations with CD partners remain strong, particularly with the Fund's large, well-established donors which have recently renewed funding pledges for important funding vehicles. While risks remain low in the short term, the fundraising landscape will remain challenging in the medium term given competing demands on partners and a pick-up in CD execution. Fundraising pressures will also be high over the next two years, notably for several Regional CD Centers (RCDCs) and thematic funds starting new funding phases, and for the Fund's new transformation areas requiring additional resources. Key mitigating actions include a coordinated effort across the Fund, including the Board, to deepen and broaden the external partnerships that support CD, and to increase the flexibility of donor resources and funding vehicles. The CD financing model is one of the themes of the upcoming 2023 CD Strategy Review.

- **Hybrid work model.** Operational risks are linked to challenges of adapting to the new model, and office space and technology constraints that could reduce effectiveness, affect budget execution, and increase the cost of the hybrid model. Risk mitigation actions include a hybrid work model that incorporates flexibility; training that combines best aspects of in-person and virtual work; flexible space options; facilities renovations and capital investments, including audiovisual infrastructure and equipment to support effective meetings; and optimization of in-person travel missions vs virtual engagement.

# SECTION VIII. SUMMARY PROPOSAL FOR FY24

**31. Proposal.** Within the total administrative appropriations, separate appropriations and expenditure ceilings are proposed for the Offices of the Executive Directors (OED), the Independent Evaluation Office (IEO), and other administrative expenditure in the Fund (Table 14). The capital budget is made up of building facilities, information technology, and IT cloud capital equivalent.

**Table 14. Proposed Appropriations, Financial Year 2024**

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

| | General | OED | IEO | Total |
|---|---|---|---|---|
| Net administrative budget | 1,316.2 | 87.1 | 7.6 | 1,410.9 |
| *of which* | | | | |
| Annual augmentation | 28.7 | ... | ... | 28.7 |
| Overseas Annual Meetings | 5.0 | 2.0 | ... | 7.0 |
| Receipts | 293.4 | 1.5 | ... | 294.9 |
| *of which* | | | | |
| RST | 5.1 | ... | ... | 5.1 |
| Externally financed [1/] | 250.5 | ... | ... | 250.5 |
| Gross administrative budget (excl. carryforward) | 1,609.5 | 88.6 | 7.6 | 1,705.8 |
| FY23 Fund-financed carryforward (upper limit) [2/] | 72.4 | 13.3 | 0.6 | 86.3 |
| FY23 externally financed carryforward (upper limit) | 6.9 | ... | ... | 6.9 |
| Other Fund-financed transitional resources [3/] | 8.7 | ... | ... | 8.7 |
| Total gross available resources (upper limit) | 1,697.6 | 102.0 | 8.2 | 1,807.7 |
| Capital budget | | | | 108.3 |
| Building facilities | | | | 47.4 |
| Information Technology | | | | 40.5 |
| Cloud Capital Equivalent | | | | 20.3 |
| *Memorandum items:* | | | | |
| Net administrative budget in mil. of FY23 dollars | 1,238.5 | 82.0 | 7.2 | 1,327.6 |
| Overseas Annual Meetings budget in mil. of FY23 dollars | | | | 6.5 |
| Fund-financed carryforward, upper limit (in percent) [4/] | 6.0 | | 8.0 | n.a. |
| Externally financed carryforward, upper limit (in percent) | 3.0 | | | |

Source: OBP. [1/]Excludes externally financed carryforward. [2/]Actual carryforward is the lesser of underspend in the current year or the specified ratio (shown in the table) of the current year's net administrative budget. The precise amount will be determined when end-year financial books are closed. [3/]Other transitional resources indicate available resources from OED/IEO excess underspend above their carryforward limits. [4/]The proposal reflects a decrease in the general carryforward limit from 7 to 6 percent. For OED, the carryforward limit is the greater of the maximum of 20 percent of the approved budget for each office and two REG2 FTEs. For IEO, this reflects the carryforward limit of 8 percent.

# Proposed Decisions

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

**Decision 1. FY24 Administrative Budget**

A. Appropriations for net administrative expenditures for Financial Year 2024, including US$28.7 million of the second tranche of the augmentation resources, are approved in the total amount of US$1,410.9 million: (a) up to US$87.1 million may be used for the administrative expenditures of the Offices of Executive Directors, (b) up to US$7.6 million may be used for the administrative expenditures of the Independent Evaluation Office, and (c) up to US$1,316.2 million may be used for the other administrative expenditures of the Fund.

B. A limit on gross administrative expenditures in Financial Year 2024, including US$5.0 million in receipts linked to the administration of the Resilience and Sustainability Trust (RST) and US$16.4 million of the second tranche of the real increase in space for externally funded CD linked to expanded work on the structural transformation agenda is approved in the total amount of US$1,807.7 million, with sub limits of (a) US$102 million for the administrative expenditures of the Offices of Executive Directors, (b) US$8.2 million for the administrative expenditures of the Independent Evaluation Office, and (c) US$1,697.6 million for the other administrative expenditures of the Fund.

C. The net and gross appropriations for set out in paragraphs A and b above, shall be increased to reflect any underspent from FY23 as follows:

a. Amounts appropriated for net administrative expenditures for Financial Year 2023 that have not been spent by April 30, 2023 are authorized to be carried forward and used for administrative expenditures in Financial Year 2024 in a total amount of up to US$86.3

million, with sub limits of (a) US$13.3 million for the Offices of Executive Directors, (b) US$0.6 million for the Independent Evaluation Office, and (c) US$72.4 million for the other administrative expenditures of the Fund.

b. The amounts for "other administrative expenditures of the Fund" and the "limit on gross administrative expenditures" for Financial Year 2023 set out in paragraphs A and C above will be increased by the amount of (ii) the OED excess underspend above the individual office carryforward limits and underspend from OED central resources from Financial Year 2022; and (ii) the IEO underspend above the carryforward limit, as determined in the Financial Year 2022 year-end closure of the Fund's financial books.

c. The amount for on gross administrative expenditures and the sublimit on other administrative expenditures set out in paragraph B above, may be increased by up to US$ 6.9 million from any externally funded carry forward.

**Decision 2.** Capital Budget appropriations for Financial Year 2024

Appropriations for capital projects underway or beginning in Financial Year 2023 are approved in the total amount of US$108.3 million and are applied to the following project categories:

(i) Building Facilities: US$47.4 million

(ii) Information Technology: US$40.5 million

(iii) IT Cloud Capital Equivalent: US$20.3 million

**Decision 3.** A revised methodology for calculation of the U.S. CPI-based Fund deflator and related transitional arrangements shall be adopted as set out in Section B of Annex III of EBAP/23/23 (3/30/23).

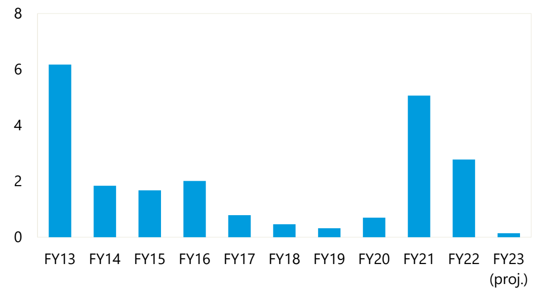
# Annex I. Projected FY23 Outturn

## Box 1. FY23 Budget Developments

*Full structural budget utilization is expected.*

**Net Underspend, FY13–23**

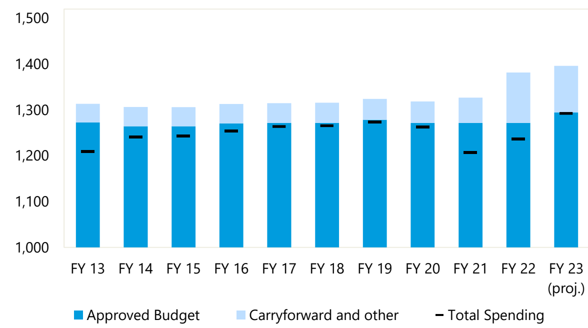
(In percent, relative to Fund-Financed approved budget)




*Use of 1 percentage point of general carryforward is projected in FY23.*

**Budget and Carryforward, FY13–23**[1/]

(Millions of FY22 U.S. dollars)

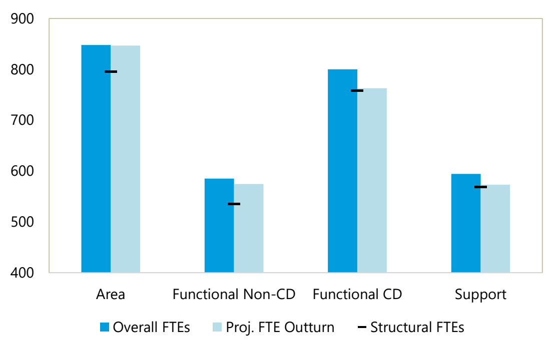



[1/] Includes travel to Annual Meetings abroad in FY13, FY16, and FY19.

*Across all department types, projected FTEs are expected to remain within the total budget.*

**Budgeted Staff Positions vs Projected Outturn, FY23**

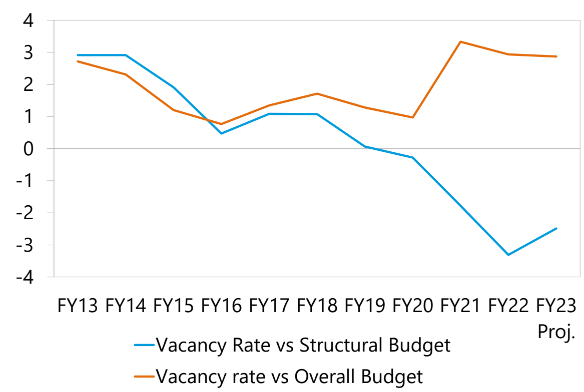
(Fund-financed FTEs)




*Allocation of temporarily funded positions has meant personnel execution above the structural budget*

**Structural Vacancy Rates, FY13-FY23**

(In percent)



## Box 1. FY23 Budget Developments, (concluded)

*Travel spending has risen, with monthly volumes recovering quickly and ticket prices elevated.*

### Total Fund-Financed Travel Spending, FY21-FY23

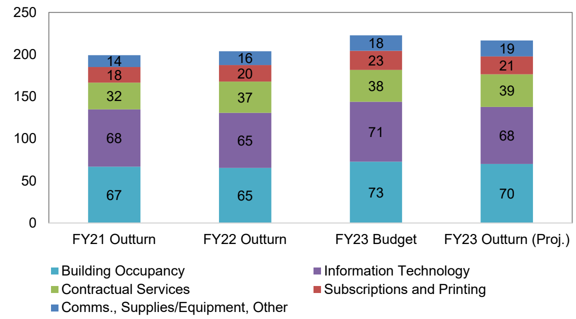
(Millions of FY23 U.S. dollars)

| | FY21 | FY22 | FY23 | |
|---|---|---|---|---|
| | | | Approved | |
| | Outturn | Outturn | Budget | Forecast |
| Business Travel | 2 | 11 | 69 | 45 |
| Settlement Travel | 6 | 11 | 10 | 9 |
| Miscellaneous Travel | 8 | 3 | 1 | 1 |
| **Total Travel** | **16** | **25** | **80** | **55** |

*Lower-than-budget execution driven by facilities costs, phase out of Covid-19 safety protocols, improved translation chargebacks, IT services, and subscriptions and printing*

### Fund-Financed Building, IT, and Other, FY21–23

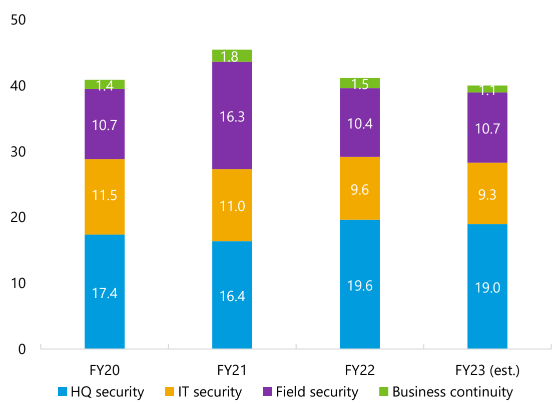
(Millions of FY23 U.S. dollars)




*Security spending is projected to stabilize and return to pre-pandemic levels.*

### Administrative Security Spending, FY20-23

(Millions of FY23 U.S. dollars)




Source: Departmental submissions and OBP calculations.

*Receipts are expected to improve relative to FY22 as Externally funded CD, Concordia, HQ2 retail lease and Parking revenues recover.*

### Receipts, FY22-23

(Millions of FY23 U.S. dollars)

| | FY 22 | FY 23 | |
|---|---|---|---|
| | | | Proj. |
| | Outturn | Budget | outturn |
| **Total** | **166.4** | **267.6** | **216.5** |
| Externally financed capacity development (direct | 141.1 | 229.6 | 185.0 |
| General receipts | 25.3 | 38.1 | 31.5 |
| *Of which:* | | | |
| Administrative and trust fund management fees [1/] | 9.9 | 12.6 | 13.0 |
| Publications income | 0.3 | 0.8 | 0.1 |
| Fund-sponsored sharing agreements [2/] | 3.1 | 3.6 | 2.6 |
| Concordia | 2.5 | 4.1 | 4.1 |
| Parking | 0.0 | 3.6 | 1.9 |
| Corporate, Travel and P-cards rebates/bonuses | 0.0 | 0.5 | 0.4 |
| HQ2 lease [3/] | 1.3 | 1.4 | 1.5 |

[1/] Trust fund management fee of 7 percent. [2/]Reimbursements principally from the World Bank. [3/] Includes Credit Union and retail tenants.

# Annex II. Budget Process Overview

**1.** The budget process begins with the membership's priorities as expressed in the Managing Director's Global Policy Agenda, the IMFC Communiqué, and the Board Work Program. The budget translates these priorities into allocations across departments and outputs. The budget also takes into account Board reviews of the income and expenditure position, staff compensation, and the capital budget. The Committee on Capacity Building (CCB) and a Board briefing on CD priorities support strong CD-budget links.

***<u>Financial year</u>* <u>(t)</u>: May 1(t-1) to April 30(t)**

E.g., FY24 = May 1, 2023 to April 30, 2024

***<u>Administrative budget</u>*:**

**Gross** (total spending envelope)

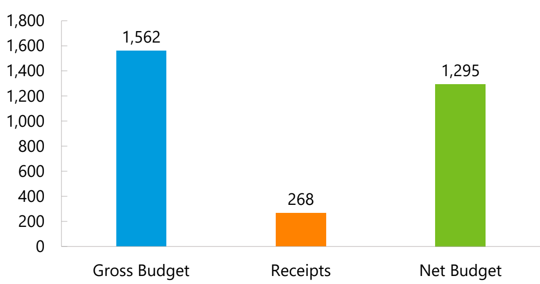
\- (minus)

**Receipts** (donor funding + revenue)

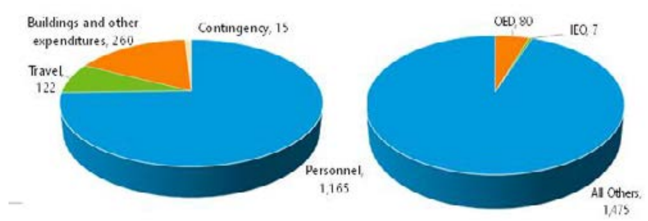
**=** (equals)

**Net** (spending that needs funding)

**FY23 Administrative Budget**
(In Millions of US Dollars)




**Gross Spending Composition, FY23**
(Millions of US Dollars, including donor financed CD)




***<u>Total Available Resources</u>*** = **Net** + **Carryforward**

***<u>Carryforward</u>*:**

The right to spend budget allocations beyond the period for which budgetary authority is normally granted (12 months). Carryforward (CF) limits are set for the IEO, OED, and at the general level for other administrative expenses.

- The general CF limit has varied over time, rising to 6 percent following the GFC and reverting to 3 percent in FY12. The Board approved an increase in the general CF limit from 3 to 5 percent in 2020, then to 8 percent in 2021 which reduced to 7 percent in FY23. The temporary, exceptional levels supported ramp-up in work to address pandemic-related needs.
- IEO's CF limit increased from 5 to 8 percent in FY21, dropped to 5 percent in FY23 and will increase to 8 percent in FY24.

- OED CF limit for each office is set at a maximum of 20 percent of the approved budget or the dollar equivalent of two Advisor FTE positions. The OED central carryforward was discontinued effective FY21 in line with the streamlining of OED central budget accounts.

The CF is the minimum of the underspend in the current year or CF limit of the current year's approved net administrative budget. Specifically:

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

*Where*:
$U_t$ = underspend in current FY ($B_t + CF_{t-1} – E_t$)
$B_t$ = net administrative budget in current FY
$CF_{t-1}$ = carryforward from previous FY
$E_t$ = net expenditures in current FY
$x_t$ = limit expressed as a percentage of the current year's approved budget. This limit is approved by the Executive Board.

***Fund deflator:***

Since FY21, the Fund deflator has been based on U.S. CPI data underlying the January WEO update. Annex III outlines an update in the methodology for determining the Fund deflator (Decision 3).

***Capital budget**:*

Financing for investments in IT and building improvements and repairs. Given the long-term nature of these projects, capital budgets are available for a period of three years, after which time unspent appropriations lapse. Project in the capital budget cover acquisition of building or IT equipment; construction, major renovation or repairs; major IT software development or infrastructure projects.

***Cloud Capital Equivalent (CCE).***

A sub-category within the capital budget for cloud subscription costs, as per the budgetary treatment approved by the Board in April 2021. The CCE was introduced in response to the Fund's migration from a "purchase/build and maintain" software model to a model based on cloud-hosted platforms with subscription costs, which would have, all else equal, reduced capital spending and increased administrative spending.

# Annex III. Update to the Fund Deflator Calculation Methodology

## A. Context

**1.** In December 2019, at the time of the Comprehensive Compensation and Benefits Review (CCBR), the Fund's deflator was modified from a component-based structure (weighted to reflect structural salary changes (70 percent) and US CPI for non-personnel costs) to a structure that is based 100 percent on US CPI. During the FY21-23 budget cycle, this decision was operationalized using a projected U.S. CPI for the fiscal year, calculated based on the January WEO Update.

**2.** As detailed in the report for a January 31, 2023 informal Board briefing, staff have recommended an update to the methodology for calculating the Fund's US CPI-based deflator, recognizing that the current projection-based methodology has not provided an effective proxy for US CPI during the recent period of extraordinary inflation pressures and large, one-sided U.S. CPI forecast errors, with no existing correction mechanism. The net gap for FY21-23 totals about 5.2 percent of the net administrative budget. Without corrective action, this gap effectively eliminates the augmentation approved in FY22 to address the significant demands on the Fund related to support for member's structural transformation.

**3.** During a period of intense demand on the Fund—in new areas supported by the augmentation, as well as in traditional core areas, budget space is tight. Thus, this gap cannot be absorbed without unacceptable budget risks, recognizing both current and expected lagged price effects for key budget components (Box 2, main text). Full budget execution is projected in FY23, and available carryforward resources (which are programmed to decline over time) are largely allocated to other purposes. At the same time, carryforward resources are one-off in nature and appropriate only to address temporary needs, whereas this gap is structural in nature.

**4.** A decision in the FY24-26 Medium-term Budget process would update the calculation methodology, using average US CPI in the calendar year preceding the budget (with a one-time transitional adjustment to address the shift from a forward- to a backward-looking Fund deflator). This would ensure that inflation reflects actual price developments, albeit with a brief lag. To manage the impact of lags in structural salary changes relative to inflation, positive gaps between the Fund deflator and structural salary changes will be saved to cover future negative differentials.

## B. Mechanism

**5.** The new methodology will calculate average CPI inflation over the calendar year using monthly U.S. CPI data (CPI for all urban consumers, CPI-U inflation), published by the US Bureau of Labor Statistics. The lag (between the fiscal year and the period for the calendar year for the Fund deflator calculation) is relatively short and is balanced by the certainty that the deflator represents actual US CPI, with a methodology that is simple and transparent.

## Transition Factor

**6.** In the first period (FY24), a transitional factor provides a one-time adjustment to rebase the Fund deflator and thereby avoid double counting. Specifically, the transition factor aligns the FY21-24 index with what it would have been had latest calendar year inflation been used starting in FY21, when the Fund moved to a US CPI-based deflator. This transitional factor is multiplicative, reflecting the compounding effect of inflation. The transition factor is calculated as the difference between the notional FY21-23 index using previous calendar-year CPI (107.9) and the projection-based CPI under the former methodology (109.8), leading to a transition factor of -1.7 percentage points.

**Table 1. FY24 Adjustments to the Revised Deflator**

| | FY21 | FY22 | FY23 |
|---|---|---|---|
| | | (In percent) | |
| Projection-based deflator | 2.4 | 2.3 | 4.8 |
| Actual CPI, latest CY | 1.8 | 1.2 | 4.7 |
| Required change (percent) | -0.6 | -1.0 | -0.1 |
| | | (deflator index FY20=100) | |
| Projection-based deflator index | 102.4 | 104.8 | 109.8 |
| Actual CPI, latest CY index | 101.8 | 103.1 | 107.9 |
| Required change (percent) | -0.6 | -1.6 | $\boxed{-1.7}$ |

## FY24 Deflator

**7.** For FY24, average CY22 US CPI growth over CY21 (the deflator base) is 8.0 percent. With the transition factor, the FY24 Fund deflator is 6.2 percent. This deflator is applied to the budget before augmentation and one-time Annual Meetings travel (Table 2). For these two groups of expenditures, the transition factor is adjusted, recognizing the FY21-23 rebasing period doesn't fully apply:

- The augmentation was introduced in FY23. The required adjustment for the augmentation envelope is calculated as -0.1 percentage points, i.e., the required percentage difference in FY23 projection-based Fund deflator (4.8 percent) versus actual average CY21 US CPI (4.7 percent).

**Table 2. Transitional Adjustments for FY24**
(Percent)

| | Base [1/] | FY21-FY23 | FY23 | Deflator |
|---|---|---|---|---|
| Base budget | 8.00 | -1.7 | ... | 6.2 |
| Augmentation | 8.00 | ... | -0.10 | 7.9 |
| Overseas Annual meetings | 8.00 | ... | ... | 8.0 |

[1/] Actual CY2022 U.S. CPI based on the U.S. Bureau of Labor Statistics.

- The periodic overseas Annual Meetings travel budget resource will be made available in FY24. No transition factor is relevant as this spending is not affected by the FY21-23 period.

## FY24 Net Administrative Budget

**8.** The FY24 net administrative budget in nominal terms is derived applying the Fund deflator, as adjusted, and as outlined in Table 3.

**Table 3. FY24 Net Administrative Budget**

| | FY23 Budget (FY23 dollars) | FY24 Budget (FY23 dollars) | FY24 Deflator (percent) | FY24 Budget (FY24 dollars) |
|---|---|---|---|---|
| Budget before augmentation/travel | 1,271.8 | 1,271.8 | 6.2 | 1,350.6 |
| Augmentation | 22.8 | 49.4 | 7.9 | 53.3 |
| *Augmentation (FY)* | *22.8* | *26.6* | | *28.7* |
| Overseas Annual meetings | ... | 6.5 | 8.0 | 7.0 |
| **Total** | **1,294.6** | **1,327.6** | **...** | **1,410.9** |

# Annex IV. Selected Policy Reviews and Evaluations in CY22-23

| Fund Output | Title | Summary purpose and resource implications, where relevant |
|---|---|---|
| **Surveillance** | Independent Evaluation Office – IMF Engagement with Small Developing States (SDS) – May 2022<br><br>Implementation Plan (IP)- (para 8)– March 2023 | The IEO report recommendations entailed initial set-up costs and longer-term increases in budgetary resources.<br><br>The MIP estimates total implementation costs of about 22 FTEs over the period of FY23-FY28 (average of 3.8 FTEs a year). Some items not originally included in the work program (e.g., update to SGN in near-term and medium-term review) will be funded through reprioritization. |
| | Modification to the Transparency Policy – June 2022 | This report proposes a targeted modification of the Transparency Policy to allow the automatic deletion of specific elements of the Debt Sustainability Framework for Market Access Countries in specific circumstances prior to publication. No cost implications were identified. |
| | Review of the Fund's Policy on Multiple Currency Practices - Proposals for Reform (para 33) – July 2022 | The report notes that new policy is not expected to have significant resource implications in the steady state but that transitional resources may be needed for the initial phases of operationalization. |
| | IMF Strategy Toward Mainstreaming Gender (para 53-59) – July 2022 | The Fund's net increase in work on gender is expected to remain within the resourcing agreed under the budget augmentation framework. |

| Fund Output | Title | Summary purpose and resource implications, where relevant (continued) |
|---|---|---|
| | Elements of Effective Policies for Crypto Assets – February 2023 | The paper puts forward nine core elements to inform a comprehensive, consistent, and coordinated policy framework for crypto assets. No resources implications were identified. Fund work on crypto assets is expected to remain within the agreed budget augmentation framework. |
| | Review of the Role of Trade in the Work of the Fund (para 56) –March 2023 | The paper does not provide quantified cost estimates, but states that its recommendations are to be achieved through reprioritization within the existing budget envelope. |
| | Review of the Implementation of the 2018 Framework for Enhanced Fund Engagement on Governance – (para 47) April 2023 | The bulk of the cost of proposed framework improvements will be covered by savings on pandemic-related governance safeguards and externally funded CD. The gross additional cost is estimated at 1 FTE and is expected to be met through reprioritization within the overall budget envelope. |
| | Review of Climate Macroeconomic Assessment Program (CMAP/CCPA Pilots) – To be discussed April 2023 | The review proposes to deliver streamlined CMAPs only in exceptional cases and to scale up targeted climate CD, while continuing close coordination with the World Bank to avoid overlaps and ensure complementarities. No resources implications were identified. |
| **Lending** | Reviews of the Fund's Sovereign Arrears Policies and Perimeter – March 2022 | This comprehensive review of the Fund's sovereign arrears policies proposed improvements to and clarifications of the framework. No resources implications were identified. |
| | Proposal for a Food Shock Window – September 2022 | The paper proposes a time-bound food shock window under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) to provide emergency support to members to urgent balance-of-payments needs from a food price shock. No resources implications were identified. |

| Fund Output | Title | Summary purpose and resource implications, where relevant (continued) |
|---|---|---|
| | Safeguards Assessments 2022 Review of Experience (para 60) – December 2022 | The report found that the Safeguards Policy continues to be appropriate and proposed some refinements. It also noted that proposals have primarily near-term transitional resource implications estimated at 2-3 FTEs. Potential structural resource needs, including those stemming from the recently established RSF, will be considered in future budget discussions as the demand becomes clearer. |
| | Temporary Modifications to the Fund's Annual and Cumulative Access Limits – March 2023 | The paper proposes temporary changes to limits on access under the Fund's General Resources Account (GRA) and discusses possible changes for the Poverty Reduction and Growth Trust (PRGT). No resources implications were identified. |
| | Independent Evaluation Office -The IMF's Emergency Response to the COVID-19 Pandemic—March 2023 | The paper recommends developing special policies and procedures that could be quickly activated to address needs and circumstances of global crises and take steps to reinforce the IMF's institutional preparedness to deal with global crises and other large shocks.<br><br>The forthcoming MIP will discuss the operationalization and costing of the evaluation recommendations. |
| | Review of the Adequacy of RST Resources and PRGT Resources – September 2022 | Sufficient resources were raised for the RST to start lending operations. For the PRGT, loan resources attained two-thirds of target, while only one-third of the subsidy resources target was achieved, leaving a substantial shortfall. Transitional resources will be provided in the FY24 budget to begin implementation of an expanded fundraising strategy. |
| | Changes to the Fund's Financing Assurances Policy in the Context of UCT Financing – March 2023 | This paper proposes policy changes to enable the Fund to proceed with UCT financing in conditions of exceptionally high uncertainty. No resources implications were identified. |

| Fund Output | Title | Summary purpose and resource implications, where relevant (continued) |
|---|---|---|
| **CD** | Independent Evaluation Office - The IMF and Capacity Development<br><br>(Executive Summary and para 29) – September 2022<br><br>Management Implementation Plan —(forthcoming). | Many of the evaluation report recommendations are already included in the medium-term budget (e.g., rollout of CDMAP, CD Strategy Review). The draft MIP assesses near-term resource implications to be manageable; medium-term implications will be discussed as part of the FY2025-26 budget.<br><br>The MIP indicates that main actions—conducting the strategy review and developing a subsequent CD Guidance Note—are covered by the current budget. Other short-term actions will also be absorbed within existing departmental budgets. Other recommendations of the strategy review would be quantified as part of the review and considered in the broader budget context. |
| | Proposal to Establish a Resilience and Sustainability Trust (para 56) –April 2022 | The report discussed the steady-state costs based on 33 active RSF programs. Incremental direct costs for operations would be in the range of $9-10 million, or 27-29 FTEs annually. The cost to operate the Trust and safeguard its resources was estimated at $5-6 million, or 16-18 FTEs annually and the fully loaded gross costs at about $18 million. |
| **Internal Support** | Review of Institutional Safeguards – June 2022<br><br>Implementation plan (IP) – (para 45) December 2022 | The Review found that while the Fund's safeguards mechanisms are robust, there are opportunities bolster data and analytical integrity frameworks and strengthen the internal disputes system.<br><br>The IP noted that budget implications will be incorporated in the FY24 and future budgets through reprioritization. Trade-offs will need to be discussed with Management in the context of Accountability Framework discussions and the Board's discussions of its Work Program. |

| Fund Output | Title | Summary purpose and resource implications, where relevant (concluded) |
| --- | --- | --- |
| | Enterprise Risk Management (ERM) Policy, Framework, Road Map and Risk Tolerance – (para 139). December 2022 | The report noted the implementation of the ERM framework will entail significant resource costs. These include additional staff in ORM (9 FTEs already added in FY22-23) and introductory training (estimated at 0.5 FTE across the Fund). The latter was included in the FY24 budget proposal. Over time, implementation of the pilot programs will further clarify costs to departments on RCSAs and DRSA and will be taken up in future budget discussions. |

## Table 1. Administrative Budget, FY19–24[1/]

(Millions of U.S. dollars)

| | FY 19 | | FY 20 | | FY 21 | | FY 22 | | FY 23 | | FY24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Proj. Outturn | Prop. Budget |
| Personnel | 1,009 | 995 | 1,025 | 1,028 | 1,055 | 1,049 | 1,074 | 1,106 | 1,165 | 1,188 | 1,239 |
| Travel | 135 | 126 | 134 | 97 | 133 | 16 | 134 | 26 | 122 | 78 | 147 |
| Buildings and other expenditures | 215 | 224 | 224 | 225 | 230 | 203 | 239 | 214 | 260 | 244 | 304 |
| Contingency | 12 | 0 | 15 | 0 | 11 | 0 | 12 | 0 | 15 | 0 | 16 |
| **Total Gross Expenditures** | **1,371** | **1,346** | **1,397** | **1,350** | **1,429** | **1,268** | **1,460** | **1,346** | **1,562** | **1,510** | **1,706** |
| Less: Receipts | 236 | 214 | 239 | 199 | 243 | 142 | 246 | 166 | 268 | 217 | 295 |
| **Total Net Expenditures** | **1,135** | **1,131** | **1,158** | **1,150** | **1,186** | **1,126** | **1,214** | **1,180** | **1,295** | **1,293** | **1,411** |

Source: OBP, PeopleSoft Financials. 1/ Budget includes Fund- and donor-financed structural resources. Outturn includes structural and temporary resources.

## Table 2. Gross Administrative Expenditures: Travel, FY19–24[1/]

(Millions of U.S. dollars)

| | FY 19 | | FY 20 | | FY 21 | | FY 22 | | FY 23 | | FY 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Proj. Outturn | Prop. Budget |
| **Expenditures** | **135** | **126** | **134** | **97** | **133** | **16** | **134** | **26** | **122** | **78** | **147** |
| Business travel | 111 | 99 | 107 | 72 | 103 | 1 | 103 | 11 | 104 | 65 | 132 |
| Transportation | 110 | 56 | 102 | 41 | 98 | 1 | 91 | 7 | 104 | 47 | 127 |
| Per diem | 1 | 43 | 6 | 31 | 5 | 0 | 12 | 4 | 0 | 18 | 0 |
| Charters | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Seminars & other | 14 | 18 | 16 | 14 | 19 | 1 | 20 | 1 | 7 | 3 | 7 |
| Other travel | 10 | 10 | 10 | 10 | 10 | 14 | 11 | 14 | 11 | 10 | 12 |

Source: OBP. 1/ Budget includes Fund- and donor-financed structural resources. Outturn includes structural and temporary resources. Includes travel to the Annual Meetings in Bali in FY19 and Marrakech in FY24.

## Table 3. Gross Administrative Expenditures: Buildings and Other Expenses, FY19–24[1/]

(Millions of U.S. dollars)

| | FY 19 | | FY 20 | | FY 21 | | FY 22 | | FY 23 | | FY24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Proj. Outturn | Prop. Budget |
| **Buildings, IT and other expenses** | **215** | **224** | **224** | **225** | **230** | **203** | **239** | **214** | **260** | **244** | **304** |
| Building occupancy | 67 | 69 | 70 | 69 | 73 | 68 | 77 | 69 | 73 | 70 | 87 |
| Information technology | 69 | 66 | 72 | 67 | 73 | 67 | 75 | 66 | 71 | 68 | 85 |
| Subscriptions and printing | 20 | 21 | 14 | 20 | 21 | 18 | 21 | 19 | 23 | 21 | 27 |
| Communications | 8 | 8 | 8 | 8 | 8 | 7 | 8 | 7 | 7 | 6 | 8 |
| Supplies and equipment | 4 | 6 | 4 | 5 | 4 | 2 | 4 | 4 | 4 | 5 | 5 |
| Miscellaneous 2/ | 46 | 55 | 57 | 56 | 52 | 41 | 54 | 50 | 83 | 73 | 93 |

Source: OBP. 1/ Budget includes Fund- and donor-financed structural resources. Outturn includes structural and temporary resources. [2/]Excludes contingency. 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. Gross Administrative Expenditures: Receipts FY19–24 [1/]

(Millions of U.S. dollars)

| | FY 19 | | FY 20 | | FY 21 | | FY 22 | | FY 23 | | FY 24 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Outturn | Budget | Proj. Outturn | Prop. Budget |
| **Receipts** | **236** | **214** | **239** | **199** | **243** | **142** | **246** | **166** | **268** | **217** | **295** |
| Externally-financed | 196 | 178 | 200 | 168 | 206 | 118 | 210 | 141 | 230 | 185 | 250 |
| General receipts[2/] | 40 | 36 | 39 | 31 | 37 | 23 | 36 | 25 | 38 | 32 | 44 |

Source: OBP. 1/ Budget includes structural resources. Outturn includes structural and temporary resources. [2/]Includes Trust Fund Management Fees.

**Table 5. Budgeted Staff FTE, FY19–24[1/]**

| | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 Prop. |
|---|---|---|---|---|---|---|
| Structural Non-Augmentation | 2,867 | 2,878 | 2,877 | 2,888 | 2,939 | 2,977 |
| Structural Augmentation | - | - | - | - | 54 | 119 |
| **Temporary** | 31 | 44 | 134 | 192 | 166 | 118 |
| Transitional | 31 | 44 | 43 | 57 | 78 | 75 |
| Crisis | - | - | 90 | 135 | 88 | 43 |
| **Donor financed** | 85 | 91 | 98 | 100 | 111 | 115 |
| **Grand Total** | **2,983** | **3,013** | **3,108** | **3,180** | **3,270** | **3,330** |

Source: OBP [1/]Budget includes Fund-financed and donor-financed, structural and temporary resources.

**Table 6. Gross Administrative Spending by FTF FY22-24[1/]**
(Millions of FY23 U.S. Dollars)

| | Millions of FY23 U.S. Dollars | | | | Percent of Total | | | |
|---|---|---|---|---|---|---|---|---|
| | FY22 | FY23 | | FY24 | FY22 | FY23 | | FY24 |
| | Actual Outturn | Est. Resource 1/ | Proj. Outturn | Est. Resource 1/ | Actual Outturn | Est. Resource 1/ | Proj. Outturn | Est. Resource 1/ |
| **Country Operations** | **543.5** | **633.8** | **609.9** | **654.9** | **38.5** | **40.6** | **40.4** | **41.0** |
| Bilateral Surveillance | 252.5 | 252.3 | 253.2 | 262.3 | 17.9 | 16.1 | 16.8 | 16.4 |
| *Of which:* | | | | | | | | |
| Article IV Consultations | 170.8 | 165.3 | 167.0 | 171.8 | 12.1 | 10.6 | 11.1 | 10.8 |
| FSAPs/OFCs | 21.7 | 18.6 | 18.2 | 19.4 | 1.5 | 1.2 | 1.2 | 1.2 |
| Lending & Other Engagement | 158.1 | 166.9 | 170.9 | 175.1 | 11.2 | 10.7 | 11.3 | 11.0 |
| *Of which:* | | | | | | | | |
| Programs and Facilities - General Resources | 78.7 | 89.2 | 90.9 | 93.6 | 5.6 | 5.7 | 6.0 | 5.9 |
| Programs and Facilities - PRGT Resources | 63.5 | 65.2 | 67.2 | 68.4 | 4.5 | 4.2 | 4.5 | 4.3 |
| Capacity Development | 132.8 | 214.7 | 185.8 | 217.5 | 9.4 | 13.7 | 12.3 | 13.6 |
| Fund Financed | 31.3 | 51.7 | 49.7 | 56.8 | 2.2 | 3.3 | 3.3 | 3.6 |
| Externally Financed | 101.5 | 162.9 | 136.1 | 160.7 | 7.2 | 10.4 | 9.0 | 10.1 |
| **Fund Policies and Analytical Work** | **114.3** | **115.6** | **117.6** | **116.6** | **8.1** | **7.4** | **7.8** | **7.3** |
| Fund Policies | 64.7 | 64.0 | 66.3 | 64.7 | 4.6 | 4.1 | 4.4 | 4.1 |
| Analytical Work | 49.6 | 51.6 | 51.2 | 51.9 | 3.5 | 3.3 | 3.4 | 3.3 |
| **Multilateral Surveillance - Global Coop./Standards** | **173.1** | **175.1** | **176.8** | **175.6** | **12.3** | **11.2** | **11.7** | **11.0** |
| Multilateral Surveillance | 92.9 | 92.5 | 94.7 | 92.7 | 6.6 | 5.9 | 6.3 | 5.8 |
| *Of which:* | | | | | | | | |
| WEO | 15.9 | 15.9 | 16.9 | 16.0 | 1.1 | 1.0 | 1.1 | 1.0 |
| GFSR | 12.8 | 12.0 | 12.0 | 12.1 | 0.9 | 0.8 | 0.8 | 0.8 |
| Fiscal Monitor | 7.0 | 5.0 | 4.7 | 5.1 | 0.5 | 0.3 | 0.3 | 0.3 |
| REOs | 13.0 | 16.4 | 17.1 | 16.5 | 0.9 | 1.1 | 1.1 | 1.0 |
| Global Cooperation/Standards | 80.2 | 82.6 | 82.1 | 82.8 | 5.7 | 5.3 | 5.4 | 5.2 |
| **Fund Governance and Fund Finances** | **147.9** | **158.8** | **150.0** | **162.7** | **10.5** | **10.2** | **9.9** | **10.2** |
| **Corporate Functions** | **383.7** | **395.1** | **398.6** | **397.8** | **27.2** | **25.3** | **26.4** | **24.9** |
| **Miscellaneous [2/]** | **15.2** | **25.0** | **18.6** | **24.8** | **1.1** | **1.6** | **1.2** | **1.6** |
| **Center** | **33.0** | **58.8** | **38.0** | **63.5** | **2.3** | **3.8** | **2.5** | **4.0** |
| **Total** | **1,410.7** | **1,562.2** | **1,509.5** | **1,595.8** | **100.0** | **100.0** | **100.0** | **100.0** |

Source: TRACES, TIMS, IBBIS, staff estimates. [1/] Reflects structural budget. [2/]"Miscellaneous" funds not mapped to specific outputs under existing tools.

## Table 7. Capital Expenditures FY19-24
(Millions of U.S. dollars)

| | Formula Key | Facilities | Information Technology | IT Cloud Capital Equivalent | HQ1 Renewal | Total Capital |
|---|---|---|---|---|---|---|
| FY 19 | | | | | | |
| New appropriations | (31) | 35.5 | 35.9 | | 0.0 | 71.4 |
| Total funds available | (32)= (30)+(31) | 82.8 | 54.1 | | 120.6 | 257.5 |
| Expenditures | (33) | 28.7 | 30.9 | | 81.6 | 141.2 |
| Lapsed funds 1/ | (34) | 5.9 | 0.0 | | 0.0 | 5.9 |
| Remaining funds | (35) = (27)-(28)-(29) | 48.1 | 23.2 | | 39.0 | 110.4 |
| FY 20 | | | | | | |
| New appropriations | (36) | 40.8 | 45.0 | | 0.0 | 85.8 |
| Total funds available | (37)= (35)+(36) | 88.9 | 68.2 | | 39.0 | 196.2 |
| Expenditures | (38) | 41.8 | 42.2 | | 22.8 | 106.8 |
| Lapsed funds 1/ | (39) | 1.8 | 0.0 | | 0.0 | 1.8 |
| Remaining funds | (40) = (38)-(39) | 45.4 | 26.0 | | 16.2 | 87.6 |
| FY 21 | | | | | | |
| New appropriations | (41) | 42.4 | 56.3 | | 0.0 | 98.7 |
| Total funds available | (42)= (40)+(41) | 87.8 | 82.3 | | 16.2 | 186.3 |
| Expenditures | (43) | 25.7 | 49.7 | | 1.5 | 76.9 |
| Lapsed funds 1/ | (44) | 2.5 | 0.0 | | 0.0 | 2.5 |
| Remaining funds | (45) = (42)-(43)-(44) | 59.6 | 32.6 | | 14.7 | 106.9 |
| FY 22 | | | | | | |
| New appropriations | (46) | 23.5 | 46.0 | 9.5 | 0.0 | 79.0 |
| Total funds available | (47)= (45)+(46) | 83.1 | 78.6 | 9.5 | 14.7 | 185.9 |
| Expenditures | (48) | 21.5 | 60.0 | 9.1 | -0.8 3/ | 89.8 |
| Lapsed funds 1/ | (49) | 7.9 | 0.0 | 0.4 | 0.0 | 8.3 |
| Remaining funds | (50) = (47)-(48)-(49) | 53.7 | 18.6 | 0.0 | 15.5 | 87.8 |
| FY 23 | | | | | | |
| New appropriations | (51) | 18.9 | 44.0 | 15.0 | 0.0 | 77.9 |
| Total funds available | (52)= (50)+(51) | 72.6 | 62.6 | 15.0 | 15.5 | 165.7 |
| Expenditures (Est.) | (53) | 33.7 | 44.6 | 13.0 | 0.0 | 91.3 |
| Lapsed funds 1/ | (54) | 12.5 | 0.0 | 2.0 | 15.5 | 30.0 |
| Remaining funds (Est.) 2/ | (55) = (52)-(53)-(54) | 26.4 | 18.0 | 0.0 | 0.0 | 44.4 |
| FY 24 | | | | | | |
| New appropriations (Proposed) | (56) | 47.4 | 40.5 | 20.3 | 0.0 | 108.3 |
| Total funds available (Est.) | (57)= (55)+(56) | 73.8 | 58.5 | 20.3 | 0.0 | 152.6 |

Source: OBP, CSF, ITD. 1/Reflect funds not spent within the three-year appropriation period. 2/Unspent budget appropriation in the period, which can be used in the remaining period(s). 3/Project closeout adjustments, mainly the return of unused contractor retainage.