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December 6, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Mid-Year Review of Expenses in FY 1984 and Budgetary  
Outlook for FY 1985

The attached memorandum by the Managing Director on the mid-year review of expenses in FY 1984 and the budgetary outlook for FY 1985 has been scheduled for Executive Board discussion on Wednesday, December 14, 1983.

Att: (1)

Other Distribution:  
Department Heads

December 6, 1983

TO: Members of the Executive Board

FROM: The Managing Director

SUBJECT: Midyear Review of Expenses in FY 1984 and  
Budgetary Outlook for FY 1985

#### Introduction

1. The first part of this statement is a report on administrative expenses during FY 1984. This report is more comprehensive than similar reports made for the midyear discussion in previous years in accordance with wishes expressed by several Executive Directors. In the light of developments which are reported, a separate paper is being issued which requests approval for a supplementary appropriation and some transfers of appropriations between categories of expense. A useful background paper to the report is EBS/83/248 which provides revised estimates of the Fund's income position for the current year and which is also scheduled for discussion on December 14.

2. The second part of the statement is a preliminary indication of the budget outlook for FY 1985. The purpose of this statement is to elicit Executive Directors' views on future work programs and levels of resources for the guidance of management in formulating the administrative budget for the new financial year. In the next three months the work program of the departments and their budgetary requirements in the new financial year will be reviewed in the light of the views expressed at today's meeting. The result will be summarized at the beginning of March in a tentative outline of the proposed budget for FY 1985, which will be issued to Executive Directors for informal consideration and individual comment. The formal budget document will be issued at the end of March for review by the Executive Board on April 16, 1984.

#### Administrative Expenses in FY 1984

3. Overview. The administrative budget for FY 1984, as approved by the Executive Board on April 15, 1983 (EBM/83/62), amounted to \$192,540,000. On May 20, 1983 (EBM/83/73), the Executive Board approved a \$5,700,000 supplementary appropriation on account of the 1983 general salary adjustment, to give a revised budget ceiling of \$198,240,000. A review of administrative expenses at the midyear point shows that expenses for the full year may amount to \$204,290,000 which is \$6,050,000 or 3.1 percent more than the revised budget ceiling. Two factors account for a large part of the projected overexpenditure. The first, with an estimated net cost of \$3,180,000, is the need to provide for the estimated value of earned separation grants and accumulated unused annual leave over and above what was provided for in FY 1983. The decision to start making provision in

administrative budgets for such factors was taken by the Executive Board on May 16, 1983 (EBM/83/70) after approval of the administrative budget for FY 1984. The second factor, which accounts for \$2,270,000 of the estimated overexpenditure, has been the need to improve data processing services including the rental of an additional mainframe computer in the Joint Computing Facility. More detailed information on estimates in each of the budget's ten object of expense categories is provided in the following paragraphs. It should be added that the Executive Committee for Computing Services, which under the chairmanship of the Deputy Managing Director supervises the Fund's data processing activities, has concluded after extensive review that the time has now come for the Fund to migrate, over a four-year period, from the Joint Fund/Bank Computing Facility to an independent Fund Computer Center. A paper presenting such a recommendation to the Executive Board is to be issued shortly. However, the additional cost that would be incurred in FY 1984 if such a proposal were approved (approximately \$2.6 million) has not been taken into account in this midyear review of expenses, pending the Executive Board's consideration of this matter.

4. Salaries. It is now estimated that expenses in this category will be \$800,000 (1.0 percent) less than the approved budget of \$83,980,000. This is largely because of changes in accounting procedures, in particular the transfer of the cost of annual leave payments to staff terminating employment (\$600,000) to the Other Personnel Services category in order to consolidate all annual leave and separation payments and accruals in one account. Another significant reason for the decrease is the transfer of funds (\$580,000) to the Miscellaneous category because a considerable amount of temporary manpower originally budgeted in the Salaries category for data processing services has been provided by consulting companies on a contractual basis rather than by directly hired personnel. In addition, several positions which have been vacated by staff going on retirement with a termination grant have not been filled immediately so as to offset overexpenditures in the termination grant account (see paragraph 5). Reductions in the Salaries category on account of these factors have been partially offset by an increase in the remuneration of Executive Board members and advisors effective July 1, 1983 (\$200,000) and increases in the salaries of experts (\$245,000).

5. Other Personnel Services. The revised estimate for expenses in this category is \$2,850,000 (5.1 percent) more than the approved budget of \$55,830,000. The most important factor accounting for this overexpenditure is provision for the estimated value of earned separation grants and accumulated annual leave mentioned in paragraph 3 (+\$3,180,000). Another important factor is the transfer from the Salaries category of the cost of payments for accrued annual leave for staff actually terminating appointments in FY 1984 as noted in paragraph 4 (+\$600,000). The termination benefits account will also cost more than originally budgeted, but as noted above there have been savings equal to the excess in the Salaries category. Offsetting these higher costs in the Other Personnel Services category are estimated savings in several of the other component accounts including: (i) overseas allowances (-\$330,000), because the number of man-years of service by resident representatives and advisors is likely to be less than the 22 budgeted and because the average cost of allowances for experts will be less than budgeted as a higher than anticipated proportion of expert assignments is being filled by short-term experts who receive fewer allowances than long-term

experts; and (ii) retirement contributions (-\$460,000), because the actual expense of the cost-of-living supplement effective May 1, 1982 was less than assumed at the time of the budget preparation and because of a saving in the cost of parity exchange rate differential payments due to continued strength of the U.S. dollar.

6. Business Travel. It is expected that expenses in this category will be about as budgeted (\$13,710,000). Expenses for the Meetings of Governors are expected to be some \$150,000 less than budgeted but this savings will be offset by an overexpenditure of about the same amount in the other business travel account.

7. Other Travel. Expenses for this category are now expected to be about \$50,000 (0.4 percent) more than the approved budget of \$11,115,000. This is because the volume of home leave travel is running at a considerably higher rate than was provided for in the budget. However, because of an increase in the proportion of experts with short-term assignments, who typically have little freight and few accompanying dependents, the average unit cost of expert settlement travel has been less than expected, thus offsetting some of the additional cost for home leave.

8. Communications. It is also expected that the budget for this category (\$6,380,000) will be exceeded by \$50,000 (0.8 percent). The overexpenditure is due to more long distance telephone calls and a parallel operation between the new Rolm telephone system and the old Bell Centrex system longer than expected when the budget was prepared. A separate report on progress with the installation of the new telephone system is being issued to the Executive Board. Despite increased telex and cable traffic, the staff of the Communications Division has been able to hold down costs for these services by taking advantage of discounts made available as a result of deregulation in the communications industry and by expanding the range of carriers.

9. Building Occupancy. The midyear review of expenses in this category indicates that they may exceed the approved budget of \$9,255,000 by about \$310,000 (3.3 percent). Costs higher than expected have been incurred in connection with the opening of the Phase IIa extension to the headquarters building, particularly for electricity and for janitorial services required for office moves. Additional costs have been incurred for building alterations to accommodate a laser communication device linking the headquarters building with offices in International Square. Rental costs will also be somewhat higher than budgeted partly on account of the recent decision to rent more space in International Square. In addition, rental income will be less than assumed because of the release by the World Bank of 15 apartments rented from the Fund in the Concordia building which are now required for use by the IMF Institute.

10. Books and Printing. It is now estimated that the budget for this category (\$2,050,000) will be underspent by \$310,000 (15.1 percent). Most of this anticipated decrease is on account of a significant rise in sales income following more active promotion of Fund publications.

11. Supplies and Equipment. The largest single element in the budget for this category in FY 1984 was a provision for the replacement of carpeting in corridors, lobbies, the cafeteria and the dining room in the headquarters building and for carpeting in the International Square building (\$868,000). It is now apparent that the budget for carpeting will be exceeded by about \$283,000 largely on account of additional replacements necessitated by the fitting of the new telephone system in the headquarters building and because of a more rapid deterioration of existing carpeting. So as to minimize the impact on the administrative budget for FY 1984, a thorough review has been made of other items which were provided for in the original budget to see if some could be postponed until FY 1985. As a result of this review, it has been decided to defer the acquisition of some office equipment and some furniture and furnishings planned for the Executive Dining Room, the Mini Park and parts of the Phase IIa building, as well as for the Concordia apartments. Consequently, it is estimated that it will be possible to hold down the overexpenditure in this category to about \$150,000, which is 3.5 percent of the approved budget of \$4,300,000.

12. Data Processing Services. On the basis of developments to date, it is expected that the budget for this category (\$6,160,000) will be exceeded by \$1,550,000 (25.2 percent), of which \$1,220,000 is attributable to the Joint Computing Facility (JCF) and \$330,000 is on account of all other data processing expenses. Subsequent to the approval of the budget by the Executive Board, a technical review was made by the staff of the JCF to see what could be done to improve a deteriorating level of service. As a result of that review, it was decided to rent an additional mainframe computer so that all Fund applications could be handled by three machines, two large and one small. Two thirds of the extra cost of the JCF is accounted for by this development. The remaining one third is largely due to an underestimate of other JCF costs because they were based on figures available at that time for FY 1983, which later proved to be too low. A large part of the overexpenditure for other data processing services is on account of data communications equipment acquired to provide a cheaper means of communications between the mainframe computers and the Fund terminals which will provide recurring savings over an extended period of time. There has also been some additional expenditure for extra word processors and microcomputers to help staff working under severe pressure. However, some of this last expense has been offset by savings elsewhere in the budget which results from a requirement that departments with needs for nonbudgeted items, if feasible, surrender in return some item which had been budgeted. At the time of preparation of this statement, there were several urgent proposals pending for review by the Executive Committee for Computing Services. The estimates made here do not take account of any additional costs which may become necessary if those projects were to be approved. Furthermore, as noted in paragraph 3, they do not take account of additional costs associated with the first steps in establishing a Fund Computer Center.

13. Miscellaneous. The revised estimate for expenses in this category is \$7,660,000 or \$2,200,000 (40.3 percent) more than the approved budget of \$5,460,000. Some 60 percent of the increase is attributable to the cost of data processing services provided on a contractual basis by private companies. As noted in paragraph 4, a considerable portion of the overexpenditure on

account of this factor is offset by a reduction in the budget for temporary manpower for data processing services provided in the Salaries category. However, in addition, it has been necessary to make provision for a higher unit cost for manpower hired through private corporations, rather than direct, because of such factors as corporate profit and overhead. It has been also necessary to revise upwards the estimated cost of several other contractual services including investment and custody fees for the Staff Retirement Plan (+\$210,000), the staff compensation study, mainly on account of widened scope of the exercise (+\$450,000), the career streams study (+\$105,000), and the Staff Retirement Plan study (+\$100,000).

14. A recapitulation of the above estimates is shown in the following summary table:

Table 1. Midyear Revised Estimate for FY 1984 Compared with the Approved Budget

Object of Expense Category	Approved Budget 1/	Mid-Year Revised Estimate	Estimate compared with Budget	
			Increase + Decrease -	Index Budget=100
(Value figures in thousands of U.S. dollars)				
<u>Personnel Services</u>				
Salaries	83,980	83,180	- 800	99.0
Other personnel expenses	<u>55,830</u>	<u>58,680</u>	<u>+2,850</u>	<u>105.1</u>
<u>Subtotal</u>	139,810	141,860	+2,050	101.5
<u>Travel</u>				
Business travel	13,710	13,710	-	100.0
Other travel	<u>11,115</u>	<u>11,165</u>	<u>+ 50</u>	<u>100.4</u>
<u>Subtotal</u>	24,825	24,875	+ 50	100.2
<u>Other Administrative Expenses</u>				
Communications	6,380	6,430	+ 50	100.8
Building occupancy	9,255	9,565	+ 310	103.3
Books and printing	2,050	1,740	- 310	84.9
Supplies and equipment	4,300	4,450	+ 150	103.5
Data processing services	6,160	7,710	+1,550	125.2
Miscellaneous	<u>5,460</u>	<u>7,660</u>	<u>+2,200</u>	<u>140.3</u>
<u>Subtotal</u>	<u>33,605</u>	<u>37,555</u>	<u>+3,950</u>	<u>111.8</u>
<u>Total</u>	<u>198,240</u>	<u>204,290</u>	<u>6,050</u>	<u>103.1</u>

1/ Including supplementary appropriation of \$5,700,000 for the 1983 general salary adjustment.

Budgetary Outlook for FY 1985

15. It is perhaps more useful in making a preliminary review of the administrative budget outlook for FY 1985 to discuss it in terms of eight broad programs of activity rather than in terms of object of expense categories. Table 2 gives some guidance as to the relative share of budget resources of each of the eight activities.

Table 2. Estimated Distribution of Budget Resources in FY 1984  
by Program of Activity

Program of Activity	Per Cent of Total Costs 1/	Per Cent of Total Man-Years 2/	Per Cent of Total Weighted Man-Years 2/3/
1. Activities of the Board of Governors	2.6	1.9	1.9
2. Activities of the Executive Board	10.1	10.6	11.2
3. General Policy Development and Research	11.0	11.3	11.8
4. Operations and Relations with Member Countries	31.7	29.7	31.3
5. Special Services to Member Countries	17.0	15.1	17.1
6. Information and Statistical Services	10.9	10.8	9.9
7. Relations with Interna- tional Organizations	2.3	2.0	2.4
8. General Support Services	<u>14.4</u>	<u>18.6</u>	<u>14.4</u>
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

1/ Based on the approved budget, including the supplementary appropriation for the 1983 general salary adjustment.

2/ In addition to regular staff, this column takes account of Executive Directors, their Alternates, Advisors and assistants, technical assistance experts, consultants, and temporary staff as shown on page 17 of the administrative budget document for FY 1984.

3/ Man-years weighted according to average salary to reflect the difference between work undertaken at varying staff levels.

For purposes of this preliminary review of the outlook for FY 1985, I shall pass over the first two activities and confine my remarks to the remaining programs, numbered 3-8, which essentially comprise the work of management and staff.

General Policy Development and Research

16. In the year ahead work on general policy development and research is likely to be no less than the high level obtaining during the current year. One of the most important aspects of this work will continue to be that relating to Fund resources. The participation requirement for the Eighth General Review of Quotas has been met, but there is considerable work required to implement the new quotas and the revised and enlarged General Arrangements to Borrow, and the associated borrowing arrangement with Saudi Arabia. Beyond the need to conclude these immediate arrangements the coming year will continue to require close attention to the Fund's liquidity position and further borrowing arrangements under enlarged access resources for 1984. In addition, work will continue to prepare on a contingency basis for borrowing from private markets.

17. Policy issues in connection with the use of Fund resources in the coming year will include review of access limits to the Fund's resources under the enlarged access policy (and access under the special facilities); consideration of several procedural aspects of members' use of Fund resources; a review of stand-by and extended arrangements; as well as reviews of the income position and the rate of remuneration and the setting of the Fund's charges on use of the ordinary resources.

18. Another policy and research matter which will require increasing attention, because of interest both within the Fund and elsewhere, will be systemic questions relating to needed improvements in the functioning of the international monetary system. These issues include the exchange rate system and how to reduce exchange rate variability, issues related to international liquidity, and the future role of the Fund in the system. Initial exploration of some of these issues has commenced in the Fund and other concerned bodies. In the coming year these activities are likely to intensify as the Fund is called upon to participate actively in, and contribute to, these policy discussions.

19. In connection with strengthening the Fund's surveillance activities, the World Economic Outlook (WEO) next year will give special attention to the assessment of the external debt situation and its potential course over the medium-term. In addition, it is hoped to evolve further the analysis of interactions of countries' policies in the context of alternative developments in the world economy in order to enhance the usefulness of the WEO in assessing those policies.

20. Additional work may be required with regard to the possibility of an SDR allocation. Also, work on improving the characteristics and usability of the SDR will continue.

21. Other research activities will include continued studies on problems of adjustment experienced by developing countries, particularly those which are chronic users of Fund resources; the Fund's approach to centrally planned economies; the analytic approach underlying the Fund's surveillance activities; analysis of developments related to international banking, including lending policies to financially distressed less developed countries; various aspects

of stabilization programs; analysis of supply side aspects of the tax systems of developing countries; and analyses of public expenditures and of the fiscal impact of nonfinancial public enterprises. In support of the work of the Development Committee, there will be studies relating to linkages between trade, indebtedness and development, access to capital markets, and other matters of concern to this Committee.

#### Operations and Relations with Member Countries

22. The program of "Operations and Relations with Member Countries" covers country analyses and regular consultations involving surveillance under Article IV, the negotiations of arrangements for the use of Fund resources, as well as actual financial operations and transactions with member countries. It is the largest of the Fund's eight programs, accounting for nearly one third of the administrative budget.

23. During CY 1983 the most important work load factor in this program has been the increasing use of Fund resources which has involved a record number of arrangements. Negotiations in connection with these arrangements have become steadily more complex and drawn out over recent years. During the period January 1 to November 30, 1983 the Fund had concluded 27 stand-by arrangements and 4 extended arrangements for a total of SDR 11.0 billion in gross commitments as compared with 21 and 2 respectively, for a total of about SDR 6.5 billion a year ago. In addition, 18 member countries drew a total of about SDR 2.7 billion under the compensatory financing facility in the first 11 months of CY 1983 compared with drawings of SDR 2.0 billion by 25 members in the same period last year. An indication of the impact on the work load of the staff when a member country enters into an active relationship with the Fund is a comparison of the average number of missions for countries having a Fund program with the number required on average for a country without a Fund program. In CY 1983 active countries will have averaged about 4.1 missions for Article IV consultations, special visits, and use of Fund resources, and attendance at 1.4 meetings in connection with debt reschedulings and collaboration with other lenders. The comparable numbers for the other countries are 1.8 missions and 0.2 meetings attended, respectively.

24. In addition to the large use of Fund resources, there has been an intensification of consultation mission activity in 1983 in response to the decision adopted earlier this year in the Surveillance Review to observe a stricter consultation cycle. As a result, the number of Article IV consultations is projected to increase from 57 percent to 84 percent of Fund membership between 1982 and 1983.

25. In terms of mission work load, it is estimated that in CY 1983 the use of Fund resources and Article IV consultations will have involved some 233 missions consisting of some 1,257 staff trips, as compared with 218 missions and 1,056 trips in CY 1982. In addition, it is expected that there will be about 268 staff trips (206 in 1982) in connection with special consultations, participation in aid coordination meetings, debt negotiations and meetings with commercial bank lenders, and other country related work.

26. The table below gives some historical perspective to the growth in the operations and country work load and related staffing.

Table 3. Selected Work Load Indicators and Staffing in Connection With Operations and Relations with Member Countries 1973-1983

	CY 1973	CY 1978	CY 1983	5-Year Index 1978=100	10-Year Index 1973=100
No. of member countries	126	138	146	106	116
No. of approved stand-by and extended arrangements	15	16	31 <u>1/</u>	194	207
No. of debt reschedulings assisted in	1	6	35	583	3,500
No. of consultation and use of Fund resources missions	112	149	233	156	208
No of individual staff trips in connection with member countries	685	932	1,525	164	223
Total no. of staff positions in five area departments, ETR and FAD <u>2/</u>	479	500	583.5	117	122

1/ As of November 30, 1983.

2/ The staff figures are for FY 1974, FY 1979, and FY 1984, respectively.

27. Next year, operational and country work is expected to continue at a high level. Even as conditions improve in the world economy it will be some time before countries experiencing severe external debt problems will show significant improvement. As a result, it is expected that a large number of existing arrangements will continue next year and that overall there will be no diminution in the number of countries making use of Fund resources. While the frequency of consultations has already increased this year, there still may be some more growth in numbers during the coming year before a plateau is reached. Another factor that suggests a continuing high level of activity is the need for continued and more systematic collaboration with commercial banks and official creditors in the development of financial arrangements to assist distressed countries. Closely related to this is the growing need for the Fund to play a catalytic role, particularly in the case of countries which face severe difficulties and which may not achieve a viable balance of payments position in the medium-term. Finally, note should be made of the possibility that there will be a small increase in the membership of the Fund which will have an additional impact on the work load of the staff.

28. The administrative budget for FY 1984 provided for 22 posts (one more than in FY 1983) for resident representatives and advisors who assist with the

financial programs related to use of Fund resources, give advice and assistance to the host countries and provide the Fund with essential information. During the past few months, two additional positions have been approved by the Executive Board increasing the ceiling to 24. A preliminary review with the departments indicates that in FY 1985 there may be a need for a small increase over the current ceiling.

#### Special Services to Member Countries

29. The main components in the special services to member countries program, the second largest in terms of resources used, are the provision of technical assistance by experts and staff, mainly in the central banking, fiscal and statistical fields, and the training of member country officials by the IMF Institute.

30. In CY 1983 it is expected that central banking experts will have provided about 88 man-years of assistance (77 in 1982) with the support of 12 missions (11 in 1982) manned mainly by staff drawn from the Central Banking Department and the Legal Department. So far, 16 countries have asked the Fund for assistance in developing and strengthening external debt information and management systems. By the end of 1983 it is hoped that experts will have been assigned in 8 countries in response to these requests, and it is expected to fill the remaining requests in the early months of 1984. In order to provide for consistency in the reporting formats being developed, close supervision of experts performing this service will be maintained. In FY 1985, the overall demand for central banking experts is expected to increase by about 25 percent to a large extent because of the increased assistance in the external debt field but also reflecting an expansion in the regular program. Support work in the field of central banking has recently been strengthened with the introduction of a databank which now contains central banking legislation of 110 member countries. Once the central banking legislation phase of the project is completed it is planned to add to the system information on selected monetary policy instruments in force and, possibly, on general banking legislation.

31. In the fiscal field, it is estimated that in the course of CY 1983, 46 countries will have received technical assistance compared to 51 in CY 1982. Such assistance by staff of the Fiscal Affairs and Legal Departments and panel experts represents about 11 man-years of staff time and 32 man-years of panel time. This compares with 15 and 32 man-years, respectively, in the previous year. In FY 1985, technical assistance in the design and implementation of appropriate fiscal policies is likely to increase, especially to those countries where authorities having limited technical expertise are required to undertake complex adjustment measures.

32. During the course of CY 1983, staff from the Bureau of Statistics will have visited 66 member countries and 1 regional organization (63 countries and 2 regional organizations in 1982) to assist in various areas of statistical work in the fields of money and banking, balance of payments, government finance, international banking and external debt, and general statistics. In FY 1985 assistance in statistics will be kept at about the present level and will continue to give particular emphasis on expanding coverage and improving currentness of data.

33. Over the past five years the IMF Institute has increased the number of courses and seminars offered by 63 percent (from 8 courses in 1978 to 11 courses and 2 seminars in 1983), and the number of course participants has increased by 68 percent (from 245 to 412). In addition, during this period the Institute has established counseling, translation and simultaneous interpretation facilities for Arabic-speaking participants and, more recently, has begun to conduct seminars abroad to meet the special requirements of members needing more assistance than can be provided through the regular in-house program. In CY 1984 the program of courses and seminars is expected to continue at this year's level without any significant change in emphasis. There will be three seminars, one on the Role of the Fund in the International Monetary System, one in collaboration with the Fiscal Affairs Department on Budgeting and Expenditure Control, for the first time to be given in French, and one on External Debt Management to be given in collaboration with the Central Banking Department. There will be continued exploration with the other Fund departments of the possibility of new seminar topics for presentation in future years. The continuing process of updating courses and seminars will be maintained during the coming year, but special emphasis and additional staff resources will be devoted to the Financial Analysis and Policy Course. In this connection, some progress has been made to introduce computer-based technology and to develop video presentations to improve and modernize lectures. It is expected that, in the coming year, this material will be introduced in the regular courses.

#### Information and Statistical Services

34. The information and statistical program includes various information services, such as press conferences, press releases, press briefings, speeches, lectures and seminars; the Fund's publications; and the development, collection and maintenance of statistics for the Data Fund.

35. During 1983, the External Relations Department had to respond to a large number of requests for information which were occasioned by heightened awareness of the problem of external indebtedness of member countries and by the consideration of the quota increase by member governments. Recent developments, particularly in the United States, show that there is a need in the coming year to intensify the department's public education program of explaining the role and functions of the Fund. A related element next year will be the opening of the Visitors' Center which should enable the Fund to communicate better to the public at large as well as allowing it to provide a service to the Washington area community. The seminar program will continue at about the same level as this year, and will involve up to three seminars for nonofficials and up to five press briefing sessions. Recent efforts to strengthen the publication program have been fruitful as evidenced by the increase in sales; these efforts will continue. The publications program will include a three-volume Fund History, 1971-1978, and a number of other books, including some with materials arising from the academic seminar series. Plans are underway for special issues of Finance and Development to mark the fortieth anniversary of the Bretton Woods Conference and the twentieth anniversary of the magazine, and for a second Chinese edition of selected articles. Highlights of the statistical publications program will be the initial publication of the Guide to Money and Banking Statistics in IFS,

and the issuance of two further Supplements to International Financial Statistics on selected statistical topics.

36. Work on developing an on-line capability for the Fund's statistical data base started in 1983 and will be continued in the coming year. The effort begun last year to reconcile and integrate country data maintained by area departments with those of the Data Fund system has shown some progress, with work being completed on 15 countries for a limited number of time series. It is planned to expand this program next year by adding more countries and more time series. This project is aimed at creating a computerized data base, including adequate documentation, control and maintenance procedures of economic statistics used by area department economists.

37. With regard to the project on international banking statistics, a statistical reporting system has been established for about half of the 38 countries which will eventually be included in the system. Future work will be directed toward extending the system to the remaining countries and to improving coverage and quality of the information reported. In the longer run, work needs to be undertaken to incorporate international banking statistics into a comprehensive framework of external debt for individual countries, areas, and the world, drawing on data compiled by the Fund and other international statistical agencies. The objectives of this work, and the need for collaboration among these agencies, will be considered at a meeting of an expert group drawn from the international organizations, to be scheduled in the Fund in the first half of 1984.

#### Relations with International Organizations

38. This program includes representation at meetings of other international organizations, reporting on the work of these organizations, providing assistance on occasion, and exchanging documents and information. An important aspect of this work is close collaboration with the World Bank. During the past year, Bank staff members have participated in 11 Fund missions (10 in 1982) and Fund staff members have joined in 15 Bank missions (11 in 1982). In FY 1985 this collaboration will be of special importance with regard to assistance to countries whose adjustment efforts have been particularly difficult. Also, work related to coordinating debt reschedulings will continue to require a great amount of cooperation with the Paris Club. Another high priority in this area will be continued close collaboration with the GATT on questions of protectionism in world trade. Work related to providing regional organizations with advice and assistance will include continued Fund participation in the inter-agency mission in the Eastern Caribbean and advisory assistance to the Gulf Cooperation Council.

#### General Support Services

39. General support services include budget, personnel, housekeeping, graphics, transportation, certain automated data processing, documents, archives, communications, payroll and other administrative payments, accounting, audit, the Joint Library, and certain translation and interpretation services.

40. In the coming year the effort begun last year to strengthen the Fund's electronic data processing capability will need to be intensified and will require a major commitment of resources. Under the guidance of the Executive Committee for Computing Services, the Bureau of Computing Services and interested departments have formulated elements of a strategy for bringing about needed improvements in the Fund's computing and office technology over the next few years. In the coming year, it will be important to make progress in implementing these plans in terms of software and hardware acquisitions, along with training for both technical staff and users. A key element is the intended establishment of a separate Fund Computer Center which will facilitate the integration of the various Fund automated systems and reduce in the long run the development costs of future projects. Other major computing projects include the development of an integrated Economic Information System succeeding the present Data Fund System, along with the development of an on-line capability for the production of Fund statistics as noted in paragraph 36; continued work on the development of a fully integrated automated financial information system in the Treasurer's Department; the reconfiguration of the Cable Room communications equipment together with the development of a document retrieval system in the Secretary's Department; and two pilot projects in the area of office automation, one in the Asian Department and the other in the External Relations Department. In view of the increasing costs associated with and the potential impact on the organization of these projects, it will be important for the Executive Committee to monitor closely their progress in order to assure that they are meeting the long-term automation objectives of the Fund and that their costs produce a reasonable return. At the same time, as greater automation occurs in the Fund's activities it will be necessary to invest in training the Fund's staff so as to provide the skills required by automated systems and as a means of lessening the Fund's dependence on consultants. This will require a significant investment in staff development over the next few years. While on the subject of automation, it should be mentioned that a separate paper is being circulated on the matter of word processing and other automated office equipment for Offices of Executive Directors.

41. In the administrative area, several steps are being taken or considered to improve the administrative budget and expenditure control. One of these steps is the development of an automated budget information system that will provide administrative expense data by unit of organization and later by work project. As elements of the system become operational over the next two to three years, it is planned to set up departmental budgets for discretionary expenses and to provide departments with on-line information so that they can monitor closely their expenses against their allocations. Another step to improve the budget process would be the introduction of capital budgeting and accounting so as to provide, on a year by year basis, more realistic cost benefit analyses of the growing amount of costly equipment required for the program of automation and other office technology referred to above. This matter is being reviewed by the staff with a view to making in due time a recommendation to the Executive Board. In the area of personnel management, in addition to increased emphasis on staff development and training, work will continue on the comprehensive salary survey, reviews of career streams, the long-term performance appraisal system and the joint study of the Staff Retirement Plan. With regard to the

distribution of documents, a firm of consultants carried out a study during the past summer on how to improve methods for transmitting high priority papers to destinations outside Washington. The consultants' recommendations are being studied and it is expected that a paper containing specific proposals will be circulated to the Executive Board in January. In the Bureau of Language Services, the two French divisions are being consolidated into one division effective December 1983, in order to make more effective use of resources and improve the quality of service.

42. For some time now there has been growing concern among Executive Directors and staff about a number of security matters. Several initiatives have been taken in recent months in an effort to tighten up procedures for safeguarding the confidentiality of certain Fund documents. Steps have also been taken to improve physical security in the Fund buildings. These matters will, *it is feared, continue to be of concern for a considerable time to come* and further action will no doubt be needed. One measure planned is the appointment of a Coordinator for Information Access and Security. The principal function of this position will be to liaise with, and provide coordination services to departments and offices, including those of Executive Directors. An initial task will be a thorough review of procedures for the classification of, and access to, Fund official documents. Procedures for handling other kinds of information and for maintaining document security as we move into an increasingly automated environment will also be studied. Further information about this position will be circulated to Executive Directors shortly.

#### Staffing and Organization

43. In the face of the world-wide recession, the Fund has had to assume greater responsibility with respect to assisting individual member countries as well as providing overall surveillance of the world economy. If the Fund is to fulfill effectively its expanded role, the maintenance of a high quality staff is of the utmost importance. The continuing pressure on staff to meet these high standards and demands is reflected, *inter alia*, in the increase in the amount of leave lost by staff. Previously, this affected primarily senior staff but now it is affecting an increasing number of staff at the middle level. This situation requires careful monitoring, if the quality of work produced is not to deteriorate.

44. Given these considerations, it would seem necessary to give further relief to the area departments and some of the functional departments involved in operations and relations with member countries. Some relief for the area departments may be obtained through greater mission participation of staff from departments not regularly participating in this work. In addition, steps being taken to increase office automation in departments and to make greater use of modern technology in staff work, as indicated in the tendency to increasingly use microcomputers on missions, should to some extent relieve pressure on staff. However, it should be recognized that the main benefit from this provision will be a higher quality and speedier output rather than a net reduction in the amount of staff time required to carry out the Fund's functions, particularly with regard to work at the middle and senior levels. This all suggests that there will be a need to continue the practice of the past two years of giving

increases in staff positions for selected high pressure points in operations and country work.

45. There will also be a need to make special staffing provisions in connection with two other activities: (i) the work required to put the Fund in a position to publish more comprehensive information on the external debt situation of individual countries, and (ii) the activities aimed at improving the Fund's computing and office technology, including, and in particular, the establishment of a Fund Computer Center. For the most part the personnel operating the center would be contractual staff. However, a few additional staff positions would be needed to supervise and direct these operations. As to other work programs there will be some need to provide additional staff in selected areas. However, most of the increased work load should be accommodated within current staff ceilings by further eliminating, reducing, or postponing lower priority work.

#### Administrative Expenses in FY 1985

46. Administrative expenses in FY 1985, are expected to be higher than costs in FY 1984 on account of the following factors: the possible increase in staff positions referred to earlier, the net effect of promotions, individual merit increases and staff turnover, a possible general salary adjustment, an increase in technical assistance expert services, more settlement travel of Executive Directors in an election year, and an increase in the resources required for data processing services and office automation. However, some of the increase arising from these factors will be moderated because there will not be a repetition of certain once-only expenses which have been incurred in FY 1984, e.g. the move into Phase IIa and International Square office space, and installation of the new telephone system.