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June 15, 1995

To: Members of the Committee on the Budget

From: The Committee Secretary

Subject: Review of the Linkages Between the Fund's Annual Budget
and the Work Program of the Executive Board

The attached background paper on review of the linkages between the Fund's annual budget and the work program of the Executive Board is scheduled for discussion at a meeting on Tuesday, June 27, 1995 at 10:00 a.m. in Committee Room 12-120.

Mr. Wiesner (ext. 38241) is available to answer technical or factual questions relating to this paper prior to the discussion.

Att: (1)

Other Distribution:
Members of the Executive Board

INTERNATIONAL MONETARY FUND

Review of the Linkages Between the Fund's Annual Budget and the Work Program of the Executive Board

Prepared by the Office of Budget and Planning

Approved by Lindsay Wolfe

June 14, 1995

I. Introduction

During the Executive Board meeting on the FY 1996 Administrative and Capital Budgets (EBM/95/41, 4/19/95), and more recently at the work program discussion on June 2, 1995, a number of Executive Directors indicated an interest in examining the feasibility of linking more closely the work program of the Executive Board with the annual budget. In this context, the staff has reviewed the existing linkages between the work program by major activities presented in the annual budget and the work program of the Executive Board contained in the semi-annual statements of the Managing Director. This paper describes these linkages and offers suggestions on how they might be strengthened.

II. The Medium-Term Budgetary Outlook and Annual Budget

Currently, the budgetary outlook in the medium-term and the ensuing annual budget are the primary vehicles for the Executive Board to reach decisions on the level and allocation of resources needed for the Fund's work. The documents for these two exercises group the work activities of the institution into eleven broad categories and define them on the basis of resource inputs, primarily in terms of staff years in the medium-term budgetary outlook, and staff years together with cost estimates in the annual budget--see Appendices I and II. These documents also provide a detailed discussion of departmental work programs including a description of each department's program accomplishments, the streamlining and activity changes implemented, and staffing, management and supervision issues and, for the medium-term budgetary outlook, quantified work outputs for each department. Appendix III contains an example of a work program description for a single department as it appeared in the last medium-term budgetary outlook paper (EBAP/94/97, 12/6/94).

III. Work Program of the Executive Board

Following the spring and fall ministerial meetings, the Managing Director circulates a statement on the work program of the Executive Board for the next twelve months. Typically these work program statements are issued each May and November, and take into account ministerial guidance received from the Interim Committee and the Board of Governors, the views of Executive Directors expressed in Board discussions in the course of the year, and also the departmental work plans presented in the medium-term budget exercise. The purpose of the statement is to establish broad priorities among the various items in the program and thus provide the basis for establishing the schedule for the work of the Board. The focus is on the work of the Executive Board rather than the work program of the staff. Thus, most of the Fund's research activities, the technical assistance work and administrative requirements, which together absorb a considerable percentage of total expenses, would normally not be included unless a specific aspect was being scheduled for the Board's consideration. Costs and other budgetary implications are not addressed in any detail.

IV. Linkage Between the Budget and the Work Program of the Board

The introduction of the medium-term budgetary outlook exercise some years ago has enabled further consideration to be given to the broad issues relating to the work of the Fund. The medium-term budgetary exercise commences in the summer and is the initial step in the Fund's budgeting process. In his statement on the medium-term outlook, the Managing Director outlines a proposed overall budgetary stance for the coming three years (with particular emphasis on the coming year), supported by a detailed statement of the work program of the institution and the resources needed. Any proposed changes in overall budget strategy and in broad program priorities are outlined in this statement. The Budget Committee meets to consider management's proposals, after which the statement is finalized for a meeting of the Executive Board in December. At that meeting, Executive Directors provide overall guidance on the proposal as well as specific suggestions. Based on the outcome of this meeting, the proposed administrative and capital budgets for the following year are circulated to the Budget Committee in March and to the Executive Board for consideration and approval in April.

In May, following the ministerial meetings, the Managing Director presents the first of the semi-annual statements on the work program of the Executive Board, outlining his view on the chief themes to be pursued and how priorities could be established within the context of available resources. A similar statement on the work program of the Board is prepared for discussion following the Annual Meetings.

Recently, the view has been expressed by some Executive Directors that it would be desirable to include information on the budgetary implications

of the various items in the work program statement. Cost estimates could be developed but this would involve specifying in greater detail the methodology, coverage and timing of the individual project or item, and would be resource-intensive. It is probably more appropriate that the cost aspects of the Fund's work are covered more generally in the budgetary exercise. Under existing procedures, the items in the work program can be undertaken within existing resources. To the extent that new items have to be put forward, they can usually be accommodated by delaying other activities or by redeployment. In situations requiring additional resources, management requests these resources through a supplementary appropriation.

It is believed that this flexible procedure allows priorities to be set in the Board's discussion on its work program without requiring that the Board involve itself in the detailed management of the institution. This approach also interacts well with the work practices of departments. Indeed, in view of the need of the Fund to respond promptly to new demands, departments generally allocate their resources in a more flexible manner rather than develop highly specific resource allocation plans that would require constant amending and updating. The advantage of such a process is that it avoids the paperwork and staff time required to formulate and maintain formal work scheduling documents.

V. Strengthening the Presentation of the Annual Budget and Medium-Term Budgetary Outlook

Currently, the budget presentation of institutional work program activities reflects the use of resources by major activities, and the quantification of a number of important areas of work performance. Efforts are continuing to link more closely the resource inputs to the work performed, but this is a difficult, complicated, and resource intensive task, given the nature of the Fund's major work activities.

As noted earlier, the budget presents a breakdown of the Fund's staff resources and costs among eleven major activities. These activities could be revised to provide more precise information on surveillance and other country-specific work in response to the interest of the Board. Modifying the classification of the institution's activities to reflect recent developments could strengthen the links between the budget exercise and the Board's work program. The detailed departmental work plans could be revamped to provide the Board with a summary of the impact on the work program arising from proposed changes in budget levels and priorities. A separate paper entitled Functional Classification of the Fund's Budget (EB/CB/95/4) has been prepared on this topic.

VI. Conclusion

The linkage between the medium-term budget discussions and the Board's work program can be strengthened. It is believed that the budget discussions constitute the most effective vehicle for discussing significant changes in work program activities and of relating resource requirements to these changes. The timing of the budget and the semi-annual work program statements is appropriate in that the work program statements follow the ministerial meetings to take into account the guidance and requests coming from the Board of Governors and the Interim and Development Committees and can be based on the resources provided by the current budget.

The items in the work program of the Executive Board can be supported by the resources provided in the budget and generally do not require any reallocation of departmental resources. On occasion, a new item in the work program may require additional non-budgeted resources; these would be requested in a supplementary appropriation. Estimates of the cost and the budgetary implications would be included in this request.

Scope exists for redesigning the classification of work activities so that the information contained in the budget documents provides for a more focussed discussion of budgetary priorities.

Source: Budgetary Outlook in the Medium Term (EBAP/94/93, 11/28/94).

Table 5. Use of Staff Resources by Activity, FY 1993 – FY 1998
(In staff years)

| Activity | <u>FY 1993</u> Actual | <u>FY 1994</u> Actual | <u>FY 1995</u> Estimate | <u>FY 1996</u> Projected | <u>FY 1997/8</u> Projected |
|---|--------------------------|--------------------------|----------------------------|-----------------------------|-------------------------------|
| A. Country-Specific Work | 861 | 936 | 998 | 995 | 991 |
| Of which: | | | | | |
| All except Technical Assistance | 622 | 672 | 710 | 718 | 716 |
| Technical Assistance | 239 | 264 | 289 | 278 | 275 |
| B. Policy Development, Evaluation, and Research | 239 | 258 | 257 | 262 | 263 |
| C. Statistics, Information, and External Relations | 132 | 144 | 148 | 148 | 147 |
| D. Administrative Support | 451 | 423 | 429 | 417 | 411 |
| E. External Training | 71 | 76 | 82 | 80 | 80 |
| F. General Supervision, Administration and Training | 287 | 309 | 322 | 323 | 323 |
| Of which: | | | | | |
| All except training and professional development | 223 | 252 | 257 | 257 | 257 |
| Staff training and professional development | 63 | 57 | 65 | 66 | 66 |
| G. Paid Leave | 390 | 425 | 437 | 437 | 437 |
| H. Board of Governors and Executive Board | 48 | 54 | 53 | 52 | 52 |
| Total | 2,478 | 2,627 | 2,726 | 2,715 | 2,703 |

Note: Totals may not add due to rounding.

Table 3. Uses of Staff Resources and Cost Allocation by Activity, FY 1994–FY 1996 1/
(In staff years and in millions of U.S. dollars)

| Activity (BRS code) | FY 1994 Outturn | | FY 1995 Estimated Outturn | | FY 1996 Projected Outturn | |
|---|-----------------|-----------------------|---------------------------|--------------------|---------------------------|--------------------|
| | Staff Years | Cost Allocation 2/ | Staff Years | Cost Allocation | Staff Years | Cost Allocation |
| A. Country–Specific Work | 870.9 | 163.9 | 906.8 | 175.0 | 905.9 | 174.4 |
| Of which: | | | | | | |
| All except Technical Assistance | (672.2) | (128.1) | (703.5) | (137.7) | (716.6) | (138.0) |
| Technical Assistance | (198.7) | (35.8) | (203.3) | (37.3) | (189.3) | (36.4) |
| B. Policy Development, Research, and Evaluation | 257.5 | 40.7 | 265.7 | 44.2 | 271.4 | 44.7 |
| C. Statistics, Information, and External Relations | 144.3 | 25.4 | 149.2 | 26.7 | 146.1 | 25.5 |
| D. Administrative Support | 416.9 | 62.0 | 431.1 | 63.5 | 421.2 | 65.6 |
| E. External Training | 76.5 | 16.4 | 76.8 | 17.2 | 79.2 | 18.4 |
| F. General Supervision, Administration and Training | 309.4 | 44.5 | 319.7 | 46.5 | 323.3 | 45.1 |
| Of which: | | | | | | |
| All except training and professional development | (252.5) | (36.4) | (259.3) | (34.9) | (260.8) | (33.8) |
| Staff training and professional development | (56.9) | (8.1) | (60.4) | (11.6) | (62.5) | (11.3) |
| G. Paid Leave | 423.5 | 50.1 | 439.4 | 52.4 | 438.7 | 52.5 |
| H. Board of Governors and Executive Board | 54.2 | 10.0 | 55.3 | 10.8 | 52.4 | 10.7 |
| Subtotal | 2,553.3 | 413.0 | 2,644.0 | 436.3 | 2,638.2 | 436.9 |
| I. Offices of Executive Directors | 222.8 | 35.3 | 233.3 | 37.5 | 232.0 | 38.2 |
| Total | 2,776.1 | 448.3 | 2,877.3 | 473.8 | 2,870.2 | 475.1 |
| Memorandum Items: | | | | | | |
| Ext. financed TA experts | 65.4 | | 81.3 | | 97.5 | |
| Ext. financed TA overhead resources | 8.0 | | 8.0 | | 18.3 | |

Note: The Budget Reporting System does not cover the Offices of Executive Directors. Totals may not add due to rounding.

1/ The methodology for estimating these activity costs is as follows: Direct costs (e.g., staff salaries, travel, EDP expense and departmental discretionary budgets) are allocated directly to the department in which the expenses are incurred. Indirect costs (e.g. benefits, communications) are allocated to departments based on the percentage distribution of salaries for the Fund as a whole. Building occupancy and supplies and equipment expenses are allocated to organizational units based on square footage occupied by the organizational unit. Specific programs are allocated to departments based on responsibility for carrying out the particular program. For example, the costs incurred for IMF Institute participants are shown under the IMF Institute, and the resident representative expenses are distributed to the area departments based on actual costs in FY 1994. The majority of the total costs of departments are then allocated to activities based on the percentage distribution of staff time on the various activity categories. Other costs are distributed according to various specific algorithms.

Source: Budgetary Outlook in the Medium Term - Activities and Resource Utilization, FY 1994-FY 1998 (EBAP/94/97, 12/6/94).

FISCAL AFFAIRS DEPARTMENT

1. Review of the FY 1994 work program

In FY 1994, requests for FAD staff to carry out three principal activities--participation in area department missions, technical assistance (TA) missions and review of Fund papers--once again, outstripped staff availability. Strict priorities therefore had to be established. FAD participation in area department missions was confined to actual and prospective program countries. Rationing of technical assistance was exercised through a combination of postponements, narrowing the focus of work, smaller missions and, in some cases, turning down requests on grounds of resource constraints. For review work, greater selectivity was applied: FAD reviews of Fund papers focussed on active program cases and on G-7 economies.

Overall, through this firm prioritization, the delivery of both FAD participation in area department missions and TA was broadly as planned in last year's budget. Despite greater selectivity, more review work had to be accommodated than planned. The outturn on FAD activities, including policy development and research, administration and external training was broadly in line with the budget forecast. Encouraging progress was also made in meeting personnel and internal management targets: vacancies were reduced; the resources devoted to management increased; and paid leave was also higher than last year, reducing outstanding leave balances.

a. Program accomplishments

Overall, the total number of missions undertaken in FY 1994 (444) was much the same as in FY 1993 (439); the smaller number of World Bank and other missions allowed some further transfer of resources to technical assistance.

FAD staff took part in 158 area department missions in FY 1994, 11 fewer than in FY 1993. Total resources devoted to area department missions were a little below planned levels. The small shortfall reflected mainly unexpected delays or cancellations in area department missions, rather than the assignment of fewer FAD staff to take part in such missions. Indeed there were more requests from area departments for FAD staff to be attached to their missions than could be accommodated; participation was confined to program countries. Geographically, the highest demand was from EUR II and FAD was able to meet most such requests. But demand was also high from AFR; in particular the devaluation of the CFA franc called for a significant shift of staff resources toward Francophone African countries. Even then, not all requests for help on those countries could be met partly reflecting language constraints.

The number of technical assistance missions in FY 1994 increased by just under 10 percent to 260, a little above the budget plan; and some

100 reports (a record number) were prepared. However, this was a smaller increase in the number of technical assistance missions than in each of the last few years. Moreover, the pattern of technical assistance delivery has begun to shift. With more resources devoted to institution-building projects, particularly on treasury development and tax administration, the number of long-term resident experts rose by 35 percent from 40 in FY 1993 to 54 in FY 1994. The majority of these assignments were financed by external resources.

In geographical terms, the outturn on technical assistance was much closer to plan than in the previous year. With additional resources from UNDP and World Bank projects FAD delivered levels of technical assistance at or above those in the FY 1994 RAP to all but one area department. (There was a small shortfall in WHD.) Elsewhere, the opening of the Pacific Islands Center reduced the need for FAD missions to several SEA countries. Unanticipated but high priority work in West Bank/Gaza Strip and some CFA countries was accommodated by re-ordering priorities. For the first time, assistance to EUR II countries exceeded that to any other department. In terms of functional areas, assistance on developing Treasuries, particularly in countries in EUR II and certain Eastern European countries, and strengthening tax administration continue to dominate: public expenditure management and tax administration accounted for 80 percent of total assistance provided. However, there was also an expansion of work on social safety nets and social security reforms. Work on tax policy accounted for 12 percent of all assistance provided, but a higher proportion of mission work.

The volume of review work continued to rise. The number of papers received for review rose by nearly 15 percent. For the first time, data were collected on papers received from area departments and those reviewed. Despite increased prioritization by the three divisions with review responsibilities, nearly 85 percent of all papers received were reviewed by FAD. Further efforts were made to achieve greater synergy in the review process: those reviewing Fund papers were encouraged to draw more systematically on the expertise of FAD staff who had taken part in technical assistance assignments to the countries concerned. Given staff levels in the relevant divisions, only papers from countries with high priority, not just in terms of program countries, but also including G-7, were reviewed. Even with this targeting of the FAD effort, the rapid expansion of Fund papers on economies in transition, in particular, continued to put pressure on the review divisions.

Policy development, evaluation and research were directed mainly in response to specific requests by management and the Executive Board. Two major papers were prepared for the Board on "The Fund and the Environment", and "Fiscal Developments in Economies in Transition under Fund-supported Adjustment Programs". The department was also heavily involved in the "Review of Technical Assistance" discussed by the Board in February. Eight staff papers were issued; FAD contributed four articles to "Finance and Development"; and 26 papers were presented at internal departmental

seminars. One book "Transition to Markets" edited by the departmental Director was published. Operational demands were so heavy that training and staff development declined; this reflects, however, also the slowdown in the recruitment of new staff compared to the immediately preceding year.

b. Streamlining and activity changes

With the introduction of a departmental travel budget, more attention was paid to travel costs on missions. This, in turn, led to careful scrutiny of the scope for back-to-back missions, as well as the need for secretarial support on TA missions and for briefing and debriefing experts. A simple model was developed within the Technical Assistance Management Unit (TAMU) to project travel costs. Despite the absence of timely outturn data, TAMU was able to monitor travel costs during the year and contain them within a budget set two months after the financial year had begun.

Some progress was made, for both staff and headquarters-based consultants, in reducing the number of FAD staff traveling in excess of 50 days, from 42 in FY 1993 to 32 in FY 1994. However, it should be noted that headquarters-based consultants are specifically recruited for technical assistance work and, for them, the guidelines are not strictly relevant. Moreover, some staff members whose travel days exceed the guidelines, are front office staff specializing in technical assistance work, who accept the concomitant travel implications. Nonetheless, the need to apply the travel guidelines led to a firm policy for all other FAD staff and more careful monitoring of travel days (as well as costs) as from FY 1995. The amount of annual leave taken increased broadly in line with plan and 85 percent of annual leave credit was used (up from 71 percent in CY 1990).

Unpaid overtime was recorded at just over 12 years representing 6 percent of regular hours worked. Much of this is accounted for by professional time devoted to training, the writing of papers, and general review of papers written by non-FAD staff. Given overall demands on staff, such highly desirable, but lower priority, work cannot be undertaken within regular hours.

c. Staffing, management and supervision

Staff vacancies were much reduced over the course of FY 1994. By the end of the year, and for the first time in recent years, there were (temporarily) no vacancies on the staff. The number of headquarters-based consultants remained broadly at approved levels throughout the year. Nonetheless, these figures conceal considerable outflows and inflows of staff during the year (10.2 percent were involved in inter-departmental mobility compared to 9.3 percent in 1993).

Technical assistance management continued to become more complex. The number of externally financed contracts rose in FY 1994 and those with long-term UNDP arrangements involved staff in the operations divisions, technical assistance divisions and TAMU in sustained and sometimes difficult

negotiations with the authorities and other agencies. Divisions and TAMU are continuously reassessing the appropriate arrangements to manage TA (for instance, the Tax Administration Division was divided into four "teams" and TAMU experimented with different allocations of responsibilities).

In FY 1994, the time devoted to general supervision, administration and training rose sharply to 15.1 from 11.9 in FY 1993. This figure principally reflects the increased emphasis on personnel management stemming from the Staff Survey Report.

2. Progress of FY 1995 work program

a. Summary of FY 1995 work program

Last year's budget planned for a year of consolidation in FY 1995. The forecast outturn for FAD is broadly in line with those budget plans. Effective staff resources are projected to rise by a little under 3 percent over FY 1994; one temporary additional staff post has been authorized (transferred from EUR II), while the remaining growth is likely to come from fewer net vacancies and more experts (mainly financed externally). However, the small overall increase will not be sufficient to allow significant closing of the gap between requests for country-specific work and staff availability. Indeed requests for TA are running at a higher level than last year; and new demands in terms of administration, inspections and backstopping associated with more long-term experts and increased external financing, are likely to place an increasing burden on FAD. There is very little practical scope for meeting those new demands by adjusting the pattern of activity within existing staffing levels.

Country-specific work will account for just under two-thirds of FAD activity this year. In response to pressing area department requests for more FAD staff to take part in their missions, however, a shift in staff utilization is planned this year. Two additional economists from technical assistance divisions are being allocated to area department work, thus diminishing their availability for technical assistance missions. Participation by FAD in area department mission work is planned to increase to around 175 missions. Priority will continue to be given to program countries while, geographically, the concentration will remain on countries in EUR II, East Europe, and certain AFR countries. An extra post to help with EUR II TA missions has been funded from the Central Consultancy Budget. Additional staff time has been allocated to AFR. Nonetheless, FAD is still having to turn away requests for staff to take part in area department missions, not only from AFR but also from MED, WHD, CTA and SEA.

A further small rise (less than 3 percent) in technical assistance work is projected this year. With an increase in external finance, particularly from the UNDP, the contribution from the Fund budget should remain broadly unchanged. The main points on technical assistance are: (i) Demand continues to outstrip capacity by substantial amounts. The volume of requests is running at a much higher level than last year: an average of

more than 15 substantive requests have been received each month since April. The RAP projection for FAD, conducted in March, suggested the demand could be substantially higher than planned delivery. (ii) Some continuing shift in the mix of technical assistance is expected towards more long-term experts and fewer large missions. This year, FAD will have 60 percent more long-term experts assigned than in FY 1993, many associated with institution-building projects; treasuries are now being developed in more than half the EUR II countries, while major tax administration projects are underway in five of the EUR II countries as well as in Hungary and Albania. (iii) Many long-term resident experts are financed externally. Large UNDP programs are underway in CTA (Cambodia, Laos, Viet Nam); there is a major project in West Bank/Gaza Strip financed by the World Bank/EU; and the volume of JAA-financed work is rising rapidly. Such external finance considerably enhances FAD ability to provide technical assistance. Yet it also has significant resource implication for its own staff: additional missions to establish policy guidelines and work programs for resident experts; on-site inspection visits; the regular backstopping of resident experts; and a growing administrative burden. It is also becoming increasingly difficult to find experts for some of the posts where living and working conditions are particularly difficult. (iv) The changing pattern of TA also has implications for the travel budget with more smaller and shorter missions planned. Data for the first two months of this financial year suggests that the travel budget for FAD is tight and may need to be reviewed.

b. Streamlining and activity changes

Policy on technical assistance provision continues to follow guidelines set at the annual RAP exercise. The FY 1995 RAP for FAD shows little change in geographical pattern; within a broadly unchanged total, a further increase in the volume of TA to countries in EUR II (consistent with the development of institution-building projects), will be offset by small reductions in planned assistance to WHD and EUR I.

The major emerging problem of technical assistance is the growing burden of inspection, backstopping and administration. It is vital that both major institution-building projects in the EUR II countries and the large UNDP/World Bank programs (currently seven) are properly supervised and monitored. It is also necessary to ensure a consistency of approach across the different projects. On the one hand, this means an additional burden on travel costs for extra short missions and inspections. But it also requires more resources for administration and backstopping. In particular, there may be a case to expand the number of headquarters-based consultants on a contractual basis who carry out these backstopping and inspection roles, while these new high profile projects are underway.

For review work a further increase in the number of area department papers sent for review is expected. Area departments project an increase of nearly 20 percent in countries using Fund resources and a similar increase in the number of programs approved. FAD will aim to hold the number of

papers reviewed to close to the current level of 650. This will require even greater selectivity. Nonetheless, it is hoped to devote more time to review work so as to increase the depth of review on high priority cases and provide more support to FAD economists on area department missions.

For policy development, evaluation and research, the aim will be to sustain activity at around the levels recorded last year. A major Fund policy paper on "Unproductive Expenditures" was recently considered by the Board and another on "Quasi-Fiscal Deficits" is in draft form with management. Two further papers are planned--on "The Fiscal Implications of Aging Populations" and, possibly, "Taxation and Unemployment." The department is working on other subjects including fiscal federalism, a general paper on fiscal policy, and a study on treasury management; the number of Fund publications and working papers produced are expected to be broadly the same as in FY 1994.

Finally FAD will be devoting more resources to external training this year. Two major public finance courses for African countries are being delivered in Kenya and Ghana; there is a continuing involvement in the JVI; and a number of training seminars have been arranged notably in China (financed by the UNDP). The department is expanding the practice of bringing key staff from member countries to Washington for training in tax administration--for example, Ukraine, India and China.

c. Staffing, management and supervision

The objective on administration and management work is to sustain activity at around the level recorded last year. Some progress was made last year in increasing paid leave and reducing the outstanding leave-balances. It is expected to continue this path in the current year.

3. Detailed work program for FY 1996

Under the overall budget guidelines for FY 1996, the pattern by activity will be virtually unchanged from the projected outturn for FY 1995. Thus, for the main three activities--review, participation in area department missions, and TA--the small increase in resources projected in the forecast outturn for FY 1995 would be sustained. The gap between requests for technical assistance work and assistance to area departments, and FAD's ability to provide staff, is growing; some requests for assistance to member countries will not be met.

In FY 1996, policies will remain unchanged for FAD participation in area department missions. Priority will be given to program countries, new member countries and those experiencing rapid or sudden political/economic changes; some of these may be wholly unforeseen (as were the developments, for example, in the West Bank/Gaza Strip), for others it is difficult to forecast the timing (as exemplified by the recent CFA franc devaluation or the East African Cross Border Initiative). The work load is expected to increase as more EUR II and AFR countries have programs; with no capacity to

shift further resources into this activity (beyond the shift already carried out in FY 1995), FAD participation in some 175 area department missions is projected. Actual participation will be determined by the number of missions undertaken by area department to those countries to which FAD staff are assigned.

The aim will be to deliver a similar volume of TA in FY 1996 as is projected for FY 1995. Major prior commitments can already be identified--including the UNDP programs in Cambodia, Viet Nam and Lebanon; the West Bank/Gaza Strip initiative; projects in China, Albania and Hungary; and continuing work to create treasuries and on tax administration projects, in several EUR II countries.

Beyond existing commitments, it is difficult to forecast both the volume and pattern of TA requests. Nonetheless, the number of requests received each month has been rising; and some are from countries, or in fiscal specialisms, which are new or unexpected. For example, there appears to be a growing demand for assistance in the reform of intergovernmental fiscal relations, sometimes from more developed countries. Also more requests are anticipated for work on fiscal management--putting in place a unit with responsibility for setting fiscal policy parameters within a macroeconomic context. Such units are particularly helpful in program countries. At the same time, requests in the more traditional specialisms like tax administration, public expenditure management, tax policy, and social safety nets are likely to continue unabated. Geographically, decisions will need to be made about the allocation of TA resources in the context of next year's RAP. Difficult issues include whether to sustain a further shift towards EUR II countries; how to provide more resources for Africa; and whether more flexibility can be found for the MED, SEA and CTA countries, where a large proportion of resources are earmarked for externally financed projects. Realistically, however, a continuing excess demand and hence need for rationing seems inevitable.

With the known commitments on institution-building projects and large externally financed programs, the shift towards more implementation assistance is likely to continue. This has implications both for FAD's travel budget and for the backstopping and administration work load. Suitable experts are increasingly hard to find and recruitment is taking up more time and staff commitments; moreover each staff member can only provide a thorough backstopping service to relatively few experts.

For review work, the aim will be to improve selectivity further and maintain activity at around the level projected for FY 1995. The number of papers reviewed will be around 650. FAD is considering ways to strengthen the review process, including some possible reorganization of responsibilities, to ensure that advice given to area departments is more fully reflected in the papers which are presented to the Board.

For general policy development, evaluation and research; for external training; and for general supervision, a broadly flat pattern of activity is

envisaged. The Department would prefer to see a greater investment in updating the intellectual capital on which much technical assistance is based but sees little hope for any substantial change to the projected pattern of activity from FY 1995. Realistically, such work will probably continue to be reflected in the figures for unpaid overtime. While the department continues to run with a high demand for its three main activities, it may be difficult in practice for staff to reduce the leave backlog in the short term, further than the mandatory 60 days maximum.

4. Outline of work plans for FY 1997-98 and beyond

Essentially, FAD responds to requests for country-specific work--either directly from member countries (for technical assistance) or indirectly through area departments (for review work and participation in their missions). Consequently, it is inevitably difficult to forecast the likely pattern of direct and derived demand two to three years in advance. For example, in TA work, many of the UNDP and institution-building projects in which FAD will be asked to participate over this period are not yet prepared even in outline. Any assessment of the geographical pattern and likely functional specialisms is impractical.

The proposed reduction in total budgeted staff resources is shared between technical assistance work, participation in area department and review. In terms of the overall pattern of work, it is assumed that the distribution of activities would remain broadly the same. There are no clear reasons or intentions why the pattern would change; this implies, however, that the allocation of work between resident experts and missions under technical assistance will stabilize. Even so, it is likely to require a higher commitment to administration and backstopping than can be sustained from present staff resources.

Table 1. Fiscal Affairs Department: Use of Staff Resources by Activity, FY 1993 – FY 1998
(In staff years)

| Activity | <u>FY 1993</u> Actual | <u>FY 1994</u> Actual | <u>FY 1995</u> Estimate | <u>FY 1996</u> Projected | <u>FY 1997/8</u> Projected |
|---|--------------------------|--------------------------|----------------------------|-----------------------------|-------------------------------|
| A. Country-Specific Work | 114.2 | 127.5 | 132.0 | 130.4 | 128.9 |
| Of which: | | | | | |
| All except Technical Assistance | 32.3 | 35.6 | 38.0 | 37.5 | 37.0 |
| Technical Assistance | 81.9 | 91.9 | 94.0 | 93.0 | 91.9 |
| B. Policy Development, Evaluation, and Research | 15.1 | 19.4 | 18.0 | 17.5 | 17.0 |
| C. Statistics, Information, and External Relations | 1.3 | 0.6 | 1.0 | 1.0 | 1.0 |
| D. Administrative Support | 13.6 | 12.0 | 14.0 | 14.0 | 14.0 |
| E. External Training | 1.8 | 1.6 | 1.5 | 1.5 | 1.5 |
| F. General Supervision, Administration and Training | 11.9 | 15.1 | 14.0 | 14.0 | 14.0 |
| Of which: | | | | | |
| All except training and professional development | 8.4 | 12.3 | 11.4 | 11.4 | 11.4 |
| Staff training and professional development | 3.5 | 2.8 | 2.6 | 2.6 | 2.6 |
| G. Paid Leave | 21.1 | 22.1 | 23.0 | 23.0 | 23.0 |
| H. Board of Governors and Executive Board | 0.1 | 0.2 | 0.5 | 0.5 | 0.5 |
| Total | 179.1 | 198.5 | 204.0 | 201.9 | 199.9 |

Table 2. Fiscal Affairs Department: Selected Indicators of Activity, FY 1987–FY 1995

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|-------|------|-------|-------|-------|-------|-------|-------|-------|
| Effective staff resources (staff years) 1/ | 101.8 | 99.9 | 109.7 | 116.3 | 132.1 | 150.8 | 179.1 | 198.5 | 204.0 |
| Number of divisions | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 |
| Indicators of activity 2/ | | | | | | | | | |
| Fund mission participation 3/ | 106 | 105 | 109 | 106 | 123 | 138 | 169 | 158 | 175 |
| World Bank mission participation | 5 | 7 | 3 | 7 | 16 | 14 | 12 | 5 | 5 |
| Technical assistance | | | | | | | | | |
| Advisory missions | 56 | 80 | 101 | 132 | 168 | 197 | 228 | 261 | 250 |
| Other missions | 19 | 25 | 35 | 36 | 55 | 56 | 30 | 20 | 20 |
| Countries assisted | 40 | 52 | 71 | 73 | 76 | 81 | 109 | 117 | 115 |
| Panel experts' assignments | 66 | 69 | 112 | 156 | 173 | 197 | 266 | 258 | 250 |
| Staff assignments | 37 | 56 | 101 | 140 | 147 | 181 | 242 | 226 | 225 |
| Formal reports | 32 | 23 | 63 | 58 | 56 | 41 | 90 | 100 | 100 |
| IMFI teaching sessions by FAD staff | 166 | 185 | 196 | 157 | 105 | 133 | 153 | 140 | 140 |
| DM and working papers issued | 32 | 28 | 19 | 17 | 19 | 17 | 14 | 16 | 16 |
| Fund publications | 8 | 16 | 8 | 8 | 9 | 11 | 7 | 13 | 13 |
| Fund policy papers | 1 | 2 | 4 | 2 | 3 | 4 | 2 | 3 | 3 |
| Area department papers received | 555 | 557 | 648 | 647 | 644 | 599 | 670 | 760 | |
| Area department papers reviewed | | | | | | | | 637 | 650 |

Sources: Fiscal Affairs Department; Budget & Planning estimates.

1/ Includes the Economist Program, consultants, Fund–financed experts as well as externally financed experts, temporary/contractual employees, paid overtime, and temporary assistance charged against regular staff vacancies; excludes summer interns and special appointees.

2/ Indicators of activity 1987 to 1991 are calendar years; 1992 and beyond are financial years.

3/ Excludes technical assistance missions