INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

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TO: MEMBERS OF THE STAFF

This note outlines the main elements of the Executive Board discussion on budgetary matters that took place last week, and informs you of my decision to establish a new Area Department.

Budgetary outlook and supplementary budget for FY 1992

Last week, Executive Directors discussed a paper on the budgetary outlook in the medium term, a survey of current budgetary expenditures, and my request for a supplementary budget appropriation for the current fiscal year. They recognized the considerable efforts that had been made by staff in all departments to produce information for these papers, and welcomed the additional insight the papers had brought to the Board's discussion of budgetary matters. The proposed Board decision, relating to the medium term and to the supplementary appropriation for the current year, was approved.

I would like to indicate some key aspects of the Board's decision and the implications for the staff. By a broad majority, Executive Directors took note of my judgment on the level and distribution of activities through FY 1994. The projections presented to the Board included an increase in total staff of 280 between FY 1992 and FY 1994. The increase is targeted in particular at country-specific work, including work in prospective member countries, and at alleviating the present pressures on staff. The projections also incorporate some reductions in activity in some areas, for which support was received from Executive Directors. Actual decisions on staff increases for FY 1993 and beyond will continue to be made on the basis of specific proposals in each annual budget submission. I should emphasize that when we formulate these annual budgets, the personnel implications of any shifts in activity will be handled with very great care.

In approving a supplementary appropriation for administrative expenses in the current fiscal year, the Executive Board authorized an increase in regular staff of 142 positions and an increase of 32 expert years. These are in addition to the 56 new staff years already included in the current budget. The latest increase has two principal components. The larger component comprising 123 regular staff positions and 32 expert years, is related to work with the Baltic states, and with the U.S.S.R. and its constituent republics. Of the additional positions, 57 would go to the European Department staff; the others will be allocated to the Central Banking Department (27), the Fiscal Affairs Department (27), the Exchange and Trade Relations Department (12), the IMF Institute (12), the Statistics Department (11), the Legal Department (5), the Administration Department (2) and the Bureau of Language Services (2).

The second element of the increase in staff, comprising 19 additional positions, followed the understanding with Executive Directors at the time of the original FY 1992 budget request that I would provide specific justification for staff in addition to the 56 staff then approved. In approving these new positions the Executive Board took account of the following developments: (i) the creation of the Southeast Asia and Pacific Department and the Central Asia Department, which became effective on September 3, 1991; (ii) the strengthening of oversight responsibilities in the African Department; (iii) increased responsibilities for the Central Banking Department, in particular relating to the enhanced integration of central banking and exchange market reform measures and the design and execution of economic programs; (iv) the establishment of a Technical Assistance Secretariat that would assist management with Fund-wide technical assistance matters relating to external funding, and the prioritization and coordination of technical assistance, including with other organizations; and (v) the introduction of the new budget reporting system.

In addition to these staff increases, a central consultant budget for work on the U.S.S.R. and the Baltic states was established and funded at an annual rate of $1.5 million. All departments involved in work on the U.S.S.R. and the Baltic states will have access to this budget, on approval by Fund management of specific requests. In the present circumstances, the central consultant budget will provide flexibility for contingencies and will allow the Fund to avail itself of specialist advice, as needed.

Organizational changes affecting the European Department

Following the discussion on the medium-term budget outlook and the approval of the FY 1992 supplementary budget, I informed the Executive Board of my intention to establish a new Area Department, effective January 2, 1992, to conduct the work on the U.S.S.R. and its constituent republics, and the Baltic states. This new Department, which will temporarily be denominated "European II", will incorporate the four divisions recently established in the European Department to handle the work on the Republics plus a new division responsible for work on the Baltic states.

The organizational structure and the senior staff assignments in this new Department, which will be effective on January 2, 1992, will be as follows:

Director:	Mr. John Odling-Smee
Deputy Directors:	Mr. Eduard Brau; Mr. Ernesto Hernandez-Cata
Advisor:	Mr. Takeo Shikado
Baltic Division:	States of Estonia, Latvia and Lithuania
Division Chief:	Mr. Adalbert Knobl

Central Division:	The Russian Federation and inter-republic institutions
Division Chief:	Mr. Thomas A. Wolf
Eastern Division:	Republics of Kazakhstan, Kirghizia, Tadzhikistan, Turkmenistan and Uzbekistan
Division Chief:	Mr. Ishan Kapur
Southern Division:	Republics of Armenia, Azerbaidzhan, Georgia and Moldova
Assistant Director:	Mr. Donal J. Donovan
Western Division:	Republics of Belarus and Ukraine
Assistant Director:	Mr. Peter C. Hole

The organizational structure of the Immediate Office and remaining eight divisions of the European Department, including the work on the Eastern European members, will remain unchanged. The European Department will continue to work closely with the new Area Department. The organizational structure of both departments will be kept under review and, if necessary, further modified to ensure responsiveness to evolving developments in the region.

I would like to take this opportunity to express my appreciation not only to the staff who are working in such a dedicated fashion with our new and prospective member countries, but to all Fund staff who have made significant personal sacrifices in responding to the recent historic developments.

Michel Camdessus
Managing Director