October 30, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Final Minutes of Executive Board Meeting 84/182

Corrections have been made in the final minutes of EBM/84/182 (12/12/84) to indicate that Mr. Orleans-Lindsay made the statement which begins on page 11.

Corrected pages are attached.

Att: (3)

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and relations with member countries could be reduced through short staff visits followed, whenever feasible, by negotiations at Fund headquarters or by full-fledged missions to member countries. Reducing the number of staff members participating in some missions should also be considered. In addition, the Fund should resist creating additional resident representative and advisor positions, particularly in the light of the growing use of multiple reviews under Fund-supported programs.

Technical assistance by experts and staff members remained critically important for strengthening member countries' monetary and fiscal systems and their capacity to implement and monitor adjustment programs, Mr. Kabbaj continued. There was no justification on cost grounds for accepting the proposal in paragraph 47(b) on page 18 to introduce a formal ceiling on the number of expert man-years of Fund technical assistance. Instead, the Fund should attempt to improve the quality of its technical assistance, for instance, by applying higher standards in the recruitment of experts. Given the financial difficulties facing most beneficiaries of Fund technical assistance, the proposals to increase the costs borne by recipient countries for experts and for participants in IMF Institute courses could place a heavy burden on the countries concerned and cause them to reduce significantly their demand for those services. The countries in his constituency greatly valued the IMF Institute and were particularly grateful for the creation of a separate course in Arabic in FY 1985 and for the decision to add a second course in 1986. The new Arabic courses were to coincide with the beginning of a fourth training track, thereby enabling the Institute to give a larger number of courses at the same time.

As to general support services, he welcomed the staff's intention to prepare a paper on the possible implementation of capital budgeting and accounting and, when presenting proposals to the Executive Board, to be more systematic in indicating budgetary implications, Mr. Kabbaj commented. The staff should comment further on the plans for office automation.

Some of the assumptions underlying the three-year projection of expenditures should be periodically reviewed, particularly the assumed slackening in the demand for additional staff members, Mr. Kabbaj considered. It was best to strike a balance between that assumption, which he accepted, and the need to take into account the already heavy burden on the staff in some departments, particularly the African Department. Finally, he looked forward to considering concrete proposals for reducing the flow of papers to Executive Directors' offices.

Mr. Orleans-Lindsay said that he welcomed the review of the FY 1986 budget within the framework of a three-year projection of expenses. He hoped that the staff would refine its methods and make the three-year framework a feature of future budget papers.

Mr. Orleans-Lindsay agreed with Mr. Kafka's comments on the appropriateness of the proposed studies on SDR-related issues and on the need for the Fund itself to conduct studies on developments in the international monetary system, Mr. Orleans-Lindsay continued. He also agreed with previous speakers who had praised the staff for efficiently and courageously facing the numerous challenges that confronted individual economies as well as the world economy during the previous fiscal year. In that connection, the staff had noted in paragraph 45 that "for many years now the staff has carried a work load which is extraordinary by any standard and which has included massive amounts of unpaid overtime on a routine basis, together with lost leave entitlements." That statement was fully applicable to the previous fiscal year, and management and staff were to be warmly commended for carrying such a heavy burden. He was prepared to consider proposals to increase the ceiling on the size of the staff. Even if the world economic recovery continued in the coming period, the Fund could not avoid some increase in staff, for the reasons given in paragraph 28. Although the work load in certain area departments might be reduced in the future, it would continue to increase in other departments, particularly the African Department. The situation in Africa was rapidly deteriorating and would require further technical and financial involvement by the Fund and the World Bank. In that connection, Mr. de Groote's suggestion to undertake a special study on African problems and adjustment merited serious, prompt consideration. In addition, the increase in the number of resident representatives mentioned in paragraph 30, and the proposals to strengthen the technical assistance programs mentioned in paragraphs 32-34, were acceptable.

The Fund should not introduce a formal ceiling on the number of expert man-years provided by the Fund for technical assistance, Mr. Orleans-Lindsay considered. considered. Such a ceiling would restrict the Fund's flexibility to meet member countries' urgent requests, some of which might be unforeseen. The present practice of meeting member countries' demand for technical assistance as they were made known to the Fund should be continued. Increasing the portion of the cost borne by recipient countries for technical experts would help to reduce the Fund's expenditures, but some countries, including those in his constituency, could not afford the increased cost, and the proposal should therefore be rejected. It would merely increase the already heavy financial burden on some member countries.

Officials from countries in his constituency had greatly benefited from IMF Institute courses, Mr. Orleans-Lindsay observed. The Institute's programs had helped to improve relations between the Fund and member countries and, in that connection, the increase in the number of courses in Arabic was welcome. If member countries sponsoring participants in Institute courses were required to bear some of the cost involved, the amounts should be merely symbolic and should be based on an ability-to-pay formula. The proposal to offset most of the cost of preparing a new course on money and banking statistics by reducing the frequency of other statistical courses was unacceptable. Problems with reporting statistics for IFS persisted; there was obviously still a need to improve the frequency and currentness of country data. The Institute's courses had been invaluable in training reporting officials in the countries in his constituency.

The present flow of papers in the Fund should be maintained, and Executive Directors should be informed about the whole range of policy matters, not merely matters relating to member countries and the use of Fund resources, Mr. Orleans-Lindsay remarked. The staff should survey Executive Directors to determine their actual need for documents, which might well vary from one Director to the next. Such a survey could help to identify low-priority publications--including translations--that could be dispensed with. However, the new budget should provide for rapid translation into French and other member countries' official languages, if necessary, of some particularly interesting publications that at present were available only in English. For instance, countries belonging to his constituency could not benefit from the content of the book entitled "Government Budgeting and Expenditure Controls" because it was available only in English.

For the reasons given on pages 12-13, none of the present in-house support services should be reduced or eliminated, Mr. Orleans-Lindsay said. Indeed, they should be strengthened. The serious steps being taken to improve the telephone system were particularly welcome. The efforts being made to strengthen security in the Fund were appropriate.

The staff should provide cost estimates of ideas or proposals for a new activity or project suggested in the Executive Board, Mr. Orleans-Lindsay stated. Executive Directors would then be in a better position to consider whether or not the projects were affordable.

In paragraph 45, it was mentioned that some overburdened staff members had lost their leave entitlements, Mr. Orleans-Lindsay concluded. Steps should be taken to give the Administration Department sufficient flexibility to ensure that staff members would be able to defer their leave and would not have to lose it. In that connection, the present leave policy was inflexible.

Mr. de Maulde observed that it was difficult to know for certain whether or not the present level of administrative expenditures was appropriate. In general, the Fund seemed to be operating efficiently, but its operations could not be compared with those of a commercial bank, the World Bank, or the United Nations. Similarly, because the Fund's work was so specialized, there was no way of measuring the institution's productivity. Hence, the best approach to a review of the Fund's expenditure was to scrutinize each expenditure category carefully. In that connection, the framework of a three-year projection of expenses in Table 3 of EBAP/84/260 was welcome, although the projected cut by more than half in the rate of increase in expenditures seemed unrealistic. The staff should comment further on the reasons for its projection.

To reduce the staff's work load, the number of reports on recent economic developments in member countries could be significantly reduced, Mr. de Maulde commented. Rather than receive unsolicited detailed reports, Executive Directors could request particular pieces of information that they required. Such requests could eventually be made through computers.

The rate of growth of the provision of technical assistance by the Fund had been fairly rapid, and, in the coming period, the Fund need not feel obligated to respond to every request for such assistance, Mr. de Maulde said. The rate of growth of technical assistance should be reduced to bring it roughly in line with the rate of increase in other expenditures. The Fund should not introduce a formal ceiling on the number of expert man-years spent on technical assistance, but the rate of increase in such assistance should be slowed.

He strongly supported the work of the IMF Institute, Mr. de Maulde stated. Low-income member countries should not be asked to cover a larger portion of the cost of technical assistance, and member countries that qualified for IDA financing should be required to make a much smaller contribution than other member countries to the transportation cost of IMF Institute participants. There should be no subsidization of the technical assistance and Institute course participation involving major industrial countries.

The flow of documents to Executive Directors' offices was not a cause for concern, Mr. de Maulde considered. It might however be helpful to cease to circulate some documents and to begin recirculating them only on the specific request of individual Executive Directors' offices.

The staff should provide cost estimates on proposals for a new staff activity or projects suggested in the Executive Board, Mr. de Maulde suggested. The estimates need not be elaborate; rough estimates might well be sufficient.

He agreed with previous speakers that the new telephone system was extremely unsatisfactory, Mr. de Maulde commented. As to the data in Table 5, the staff should explain the high average cost of translating a 30-page paper into another language.

Mr. Pérez said that he agreed with Mr. Zecchini that the midyear review of administrative expenses should include the evolution of such expenses over a long period in the past. Expenses in the current fiscal year were a cause for concern, since they were roughly 0.5 percent above the target, even excluding the delay in the renovation of the Concordia/Bond apartment complex.

The work program subjects and related costs were appropriate, Mr. Pérez considered. The main task was to assign priorities and to ensure that the various tasks were performed efficiently, particularly in the light of the high annual unit cost of the significant items summarized in Table 5.

The provision of three-year projections of expenses was an important step forward in the budget review process, Mr. Pérez concluded. However, he agreed with Mr. de Maulde that the significant reduction in the rate of increase in expenses projected for the coming period seemed unrealistic,