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March 28, 1995

To: Members of the Committee on the Budget
From: The Committee Secretary
Subject: Final Minutes of Meeting 94/7

The attached page 1 on attendance at Committee on the Budget Meeting 94/7 (12/8/94) has been corrected.

Att: (1)

Other Distribution:
Members of the Executive Board

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1. MEDIUM-TERM BUDGETARY OUTLOOK

The Acting Chairman observed that because the reconstitution of Board Committees was still under way he would continue the practice of the previous meeting in which he would treat all the Executive Directors as equal participants in the discussion.

It was then agreed to consider a memorandum from the Managing Director on the budgetary outlook in the medium term (EBAP/94/93, 11/28/94), together with background material on activities and resource utilization in FY 1994-FY 1998 (EBAP/94/97, 12/6/94) and a memorandum from the Managing Director on the midyear review of the Fund's administrative and capital expenditures for FY 1995 (EBAP/94/98, 12/7/94).

At the previous meeting (CB/94/6, 11/15/94), the Acting Chairman continued, some Directors had requested additional information on alternative scenarios considered by management in preparing its memorandum on the medium-term budgetary outlook. At the outset, he wished to call on the staff to provide a briefing to Directors on the three options set out in the tables before them.

The Director of the Office of Budget and Planning observed that Option 2 was the same as Table 5 in the Managing Director's statement and showed the impact of a 1-2 percent reduction in real administrative expenses on staffing levels. Option 1 showed the impact on staff resources of the current policy of no change in administrative expenses in real terms in the coming two years, and Option 3, the impact of holding the budget at the same nominal level over the same period.

In constructing the latter scenario, which represented a larger cut in expenditures than was proposed under Option 2, the staff had assumed that there would be some targeted reductions as well as some across-the-board cuts in staff resources and had therefore presented the results in terms of the level of staff resources by type of activity, the Director continued. Under the no nominal growth scenario, a savings of at least \$30 million would be required over the coming two years. Careful attention to a number of discretionary items could yield a savings in the order of \$10 million, with as much as 50 percent of this coming from the travel budget. The remainder would have to come from reductions in a number of other activities, but such cuts would not be painless. As 70 percent of the budget consisted of salaries and benefits, the size of the staff would inevitably have to be reduced under Option 3.

The Managing Director's memorandum had referred to substantial cuts under Option 3--about 175 staff-years over the period, the Director recalled. Assuming that there was some contribution by the Board, 160 staff-years would have to come from reductions in the number of regular and contractual staff. The 160 effective staff-year reduction represented the difference in impact between Option 1 and Option 3. Under such a scenario, attaining management's personnel objectives with respect to the

COMMITTEE ON THE BUDGET

Meeting 94/7

3:00 p.m., December 8, 1994

A. D. Ouattara, Acting Chairman

Executive Directors

J. Bergo

H. Evans
K. P. Geethakrishnan
J. E. Ismael
D. Kaeser

K. Lissakers
H. Mesaki
C. Saito

Alternate Executive Directors

A. A. Al-Tuwaijri
M. Sirat

A. Fernández
G. F. Murphy
Y. Patel, Temporary

A. Chang Fong, Temporary
J. Prader
H. A. Barro Chambrier
B. S. Newman

A. G. Zoccali
Y. Y. Mohammed
E. Wagenhoefer
M. Petrie, Temporary
Wei B.

J. W. Lang, Secretary
S. L. Yeager, Assistant

Also Present

Administration Department: T. Cole, U. P. Dimitrijevic, A. Goltz. Central Asia Department: C. D. Pham. External Relations Department: M. R. Kelly, Deputy Director. Fiscal Affairs Department: V. P. Gandhi. Secretary's Department: B. R. Hughes, A. Mountford. Statistics Department: S. P. Quin. Treasurer's Department: J. E. Blalock, B. E. Kueppens. Office of the Managing Director: S. Sugisaki, Special Advisor; J. Prust. Office of Budget and Planning: L. Wolfe, Director; J. G. Blanch, P. J. McClellan, P. J. McPhillips, H. L. Mendis, M. Oka, H. Wiesner, A. A. Zimmerman. Office of Internal Audit and Review: M. Caiola, Director. Advisors to Executive Directors: J.-C. Obame. Assistants to Executive Directors: P. I. Botoucharov, G. Z. El-Masry, K. Gaseltine, H. Golriz, O. A. Himani, S. Ishida, E. Kouprianova, T. M. Kudiwu, N. L. Laframboise, S. Rouai, M. W. Ryan, S. Sighvatsson, R. von Kleist.