

EB/CAM/09/12

April 9, 2009

To: Members of the Committee on Executive Board Administrative Matters
(Mr. Mojarad, Chair; Mr. Bakker, Mr. Itam, Mr. Lee, Ms. Lundsager,
Mr. Mozhin, Mr. Rutayisire, Mr. Stein)

From: G. Russell Kincaid, Committee Secretary

Subject: **Offices of Executive Directors (OED)—Principles for Setting Individual
Offices' FY10 Budget Allocations**

The attached paper outlines possible principles to be followed in setting individual OED FY10 budget allocations within the overall FY10 OED budget envelope. It is being circulated to members of the Committee at the request of the Chairman. It will be considered by the Committee on **Tuesday, April 14, at 3:00 p.m.** in the Board Committee Room (HQ1 12-120B).

This paper will shortly be posted on the extranet, a secure website for the Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Members of Executive Board

OFFICES OF THE EXECUTIVE DIRECTORS: PRINCIPLES FOR SETTING INDIVIDUAL OFFICES' FY 10 BUDGET ALLOCATIONS

April 9, 2009

I. BACKGROUND

1. The new OED expenditure framework approved by the Executive Board on December 12, 2008, provided norms for deriving individual OED personnel budget allocation and for the central contingency reserve. The framework also established that individual OEDs shall be allocated budget resources for business travel and other discretionary spending “in accordance with decisions adopted by the Executive Board.”¹
2. The purpose of this note is to seek Executive Directors’ inputs on the principles to be followed to set individual OED FY 10 budget allocations within the overall OED FY 10 budget envelope of \$60 million, which was endorsed by the Committee on Administrative Matters (CAM) on March 26, 2009. Reflecting the Chair’s summing up of the upcoming CAM discussion on these matters, staff would then prepare summary tables with individual OED budgets.

II. GENERAL PRINCIPLES

3. Within the overall OED budget envelope, individual OED budgets should be informed by certain general principles including:
 - Maintaining the full-time equivalents (FTEs) level and profile as approved by the Executive Board in the context of the OED restructuring exercise;
 - Establishing the OED central contingency reserve at the normative level, (i.e., one percent of the Net Administrative Budget (NAB)) to protect the OEDs against unexpected events;
 - Implementing fungibility across budget accounts within the norms established in the OED expenditure framework;
 - Requesting access to the OED contingency reserves only when room for offsetting savings in individual offices’ budgets is exhausted;
 - Paying back any borrowing from the OED central reserves prior to carrying forward any savings generated within concerned individual Offices’ budgets; and

¹ “Proposals for a New Expenditure Framework for the Offices of Executive Directors” (EBAM/08/122, 12/5/2008), Sections I.C and I.D.

- Assessing at the six months mark the adequacy of individual OEDs budgets, including in the light of possible constituency changes, (e.g., two additional Alternate Executive Directors, one each for OEDAE and OEDAF).
4. Some of these principles are already reflected in the new OED expenditure framework. However, based on CAM deliberation and inputs from the Directors, the framework might need to be updated.

III. PERSONNEL

5. Typically, the aggregate OED personnel allocation is about 90 percent of the OED's NAB. Pursuant to the OED expenditure framework, the allocation for individual ED's personnel budget is to be derived by multiplying the new OEDs staffing norms (in FTEs) approved by the Executive Board by the relevant standard costs. This approach will be applied for setting individual ED offices' personnel budgets in FY 10.
6. The Executive Board approved an appropriation for OED restructuring expenditures in the amount of \$7.6 million for FY 08–11.² The restructuring plans for FY 10 and FY 11 established by individual ED offices will form the basis for their access to the OED restructuring budget in FY 10 and FY 11, respectively.

IV. BUSINESS TRAVEL

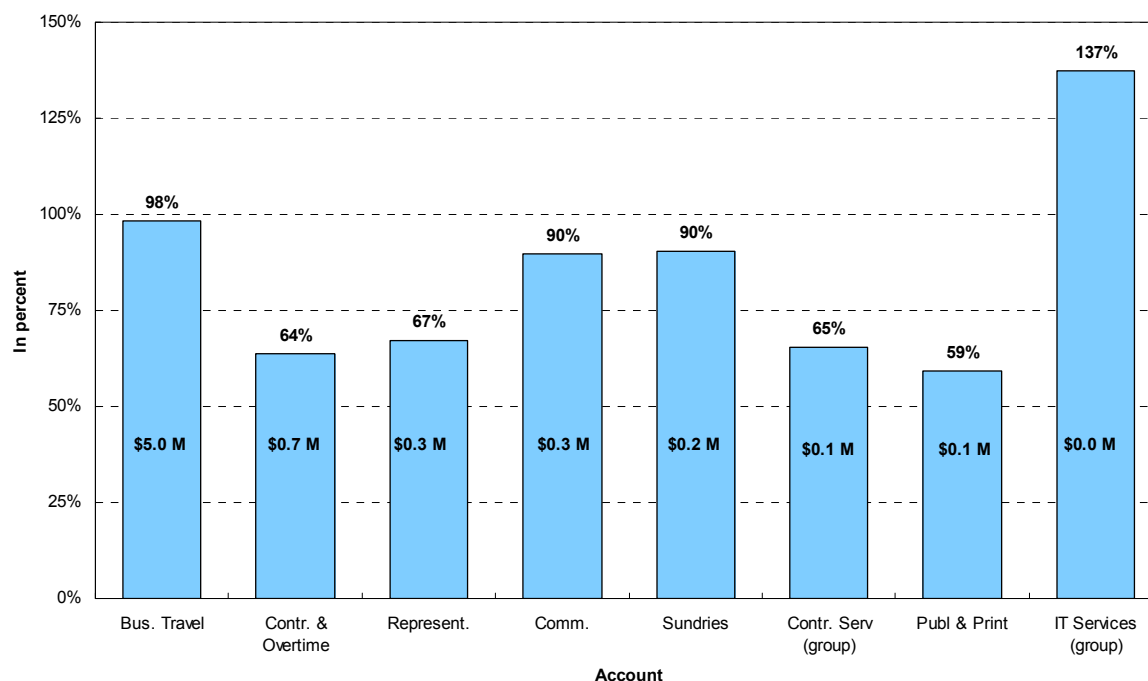
7. Typically, aggregate OED travel budget is about eight percent of the OED's NAB. As agreed by the CAM on March 26, 2009, the overall travel budgets for the OED FY 10–12 medium-term budget (MTB) will be consistent with the overall envelope proposed for the OED FY 10–12 MTB taking due notes of personnel expenditures outlined above. Preliminary indications are that the aggregate OED FY 09 travel outturn will be within budget.
8. In managing their travel budget in FY 10, three factors will give individual Offices greater flexibility to deal with travel demands: (i) full year benefit of travel rebates; (ii) individual carry-forward from FY 09; and (iii) greater flexibility across budget accounts. In addition, the collective carry forward will augment the central reserves to be available in FY 10.
9. Against this backdrop, Directors views are sought on their experience with the FY 09 travel budget. If pressures on the individual travel budgets did emerge, what were the reasons? If not, why not? Could these pressures be accommodated within the travel contingency, without undue hardship on the concerned Offices? What kind of actions Directors implemented to achieve savings in their travel budgets?

² “The FY2009–FY2011 Medium-Term Administrative, Restructuring, and Capital Budgets” (EBAP/08/20, Supplement 1, 4/6/2008).

10. If a majority of views reflect satisfaction with the current framework, then the CAM could consider readopting the rules-based approach used to allocate the FY 09 individual travel budgets,³ appropriately revised to reflect the additional demands from the global financial crisis. For this purpose, the following questions may be considered:

- Should the envisaged 50–50 weighting continue to be used in formulating the FY 10 travel budget? (i.e., applying equal weight to historical (five year) data and to rules-based methodology).⁴
- Is a forward-looking element needed in the formula? If so, do Directors have a specific recommendation?
- In FY 09 the travel contingency was set at five percent of the travel budget. Is there a need to change this ratio or keep the same approach?

FY 09 OED Estimated Outturn as Share of Respective Budget
(Budget is reflected in decreasing order, in millions of U.S. dollars)



V. NON-TRAVEL DISCRETIONARY BUDGET

11. Non-travel discretionary budgets for the individual Offices, as well as the group budget for the aggregate OED, collectively amount to about three percent of the OED's

³ "Proposals for the Allocation of FY 09 Individual OED Travel Budgets" (EB/CAM/08/7, 7/18/2008).

⁴ In FY 09, the weighting was 75 percent for the historical five-year average and 25 percent for the rules-based methodology.

NAB. Discretionary budgets are also fully fungible. During FY 09, this allocation has largely been adequate for individual Offices.

12. In light of above observations, Directors views are sought on whether any specific changes from the methodology specified in EBAM/08/121, for the various non-travel discretionary expenditures may be needed for FY 10. An excerpt of the methodology used is attached.

EXCERPT FROM “FY 09 BUDGET ALLOCATION FOR OFFICES OF THE EXECUTIVE DIRECTORS”, EBAM/08/121, DECEMBER 5, 2008

1. In FY 09, the other discretionary budgets amounted to \$1.6 million—about 3 percent of the OED net budget. The following paragraphs summarize the criteria used to allocate the respective budgets to individual Offices. For the FY 10 budget allocation, the parameters will be updated with most recent information.

A. Contractual and Overtime

2. This budget provides for expenses for contractual staff, overtime, and agency temporary staff. The budget was allocated to each Office in proportion to each office’s share of support staff (grades A1–A8) in the FY 08 OED full-time equivalents (FTEs) outturn of support staff. The rationale for this method of allocation is that in OED contractual staff are mostly support staff, and the number of support staff reflect the administrative workload in each office, as well as the fact that overtime is paid only to staff in grades A1–A8.¹

B. Representation

3. The budget was allocated to each ED office in proportion to each office’s share of senior staff FTEs outturn in the FY 08 OED FTEs senior staff outturn,² rather than the total budgeted positions for OED senior staff as was the case in the formulation of OED’s indicative budgets over the past two years. The rationale for this method of allocation is that representation entitlements are geared towards senior staff.

C. Communications

4. This budget provides for expenses for usage of cellular phones and Blackberries, mobile devices hardware, subscriptions and usage fees. Communication expenditures comprises fixed costs—the monthly subscription fees charged for wireless services for each Blackberry or cellular phone device, plus the costs associated with equipment purchases—and variable costs—the charges for calls while on travel (roaming charges). The latter constitute the bulk of communication expenditures. The budget was allocated to each ED office as follows: (i) a flat allocation across all offices to provide for the fixed costs based on

¹ Includes Administrative and Staff Assistants (grades A1–A8). In FY 08, overtime accounted for 75 percent utilization of this category. It is recognized that the preferred methodology was to use the relevant FY 09 staffing positions, however at the time of allocation to individual Offices, the Executive Board had not approved the new OED dollar budgeting framework.

² Includes Executive Directors, Alternate Directors, and Senior Advisors. The latter are correlated to the number of countries in each constituency. It is recognized that the preferred methodology was to use the relevant FY 09 staffing positions, however at the time of allocation to individual Offices, the Executive Board had not approved the new OED dollar budgeting framework.

most recent average usage; and (ii) a proportional allocation based on each office's estimated number of trips in FY 09 and respective roaming charges.³

D. Sundries

5. Sundries cover a number of miscellaneous items and office accessories (excluding office supplies). The budget was allocated as follows: (i) a flat allocation to each ED office; and (ii) a group allocation to cover the charges incurred on behalf of all ED offices, such as ED workshops, lunches, etc.

E. Contractual Services—Sponsored Activities

6. The budget was allocated to the OED group to cover charges for services provided to all ED offices, notably visa services and services provided by the compliance officer.

F. Publications and Printing

7. The budget provides for printing and publication (brochures, annual reports) needs of the OEDs. The budget was allocated equally to each ED office.

G. Information Services

8. The budget was allocated to the OED group to cover the contract fee for the Bloomberg terminal accessible by all individual Offices.

³ The number of trips for each ED office was derived by dividing the Board-approved FY 09 travel budget for each office by the average unit cost of travel to countries in each office's constituency based on latest full-year data (FY 08). The latter is consistent with the OED travel approach adopted in EB/CAM/08/79.