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Concluding Remarks by the Chairman
Budgetary Outlook in the Medium Term and
Administrative and Capital Budgets, FY 1993 - Six-Month
Review and Request for Supplementary Appropriations
Executive Board Meeting 93/8, January 15, 1993

Today's discussion on the medium-term budget outlook has been substantive. As Executive Directors remarked, this is the third year of a medium-term budget outlook exercise that began in early 1991. It marks the end of a three-year period in which the work load has surged, primarily owing to the increase in the membership and the rise in the number of countries with Fund arrangements or in need of intensive Fund involvement. As a result, the existing imbalance between the supply of resources and the demands for assistance has intensified and has led to pressures on the staff that cannot be sustained. There is an urgent need to provide sufficient resources to meet the demands faced by the institution and to allow reductions in excessive unpaid overtime and leave forgone, and to increase the resources available for management, supervision, and training.

I said management. Here, I would like to make an observation: please do not underestimate the considerable managerial skill that senior managers in all departments demonstrate in the way they help deliver the work of this institution. Yes, there is scope for better planning, but the day-to-day management of missions and policy work is subject to great uncertainty and frequent changes. For example, Directors often ask for last-minute changes in country missions, owing to important exigencies, and we are proud of our ability to answer swiftly to the needs of member countries. But this has a price. We should not underestimate the ripple effects of such changes within the institution. Often many staff who feel the ripple effect do not understand the immediate cause; instead they tend to attribute it to poor planning or weak management. But I think we have to recognize that it is at least partly due to our wish to be as responsive as possible to our members' needs, and this responsiveness is one of the major strengths of this institution. But there is a personal price to be paid for such responsiveness, particularly in an institution that does not carry excess capacity. The scope for meeting the additional demands on our institution through the redeployment of staff is, therefore, extremely limited. Nevertheless, we will continue to pursue this avenue to the maximum extent possible. At the same time, it is important that the institution should continue to be able to respond rapidly to unexpected developments and that it should remain as lean as possible. The budgetary strategy and my proposals for resources for FY 1993 and beyond are based upon these precepts. Even after the additional resources we are requesting have been recruited and absorbed, work pressures will certainly remain intense. As Mr. Posthumus has observed, there is no reason to assume that the pressure of work will suddenly deflate.

Looking to the future, it is my judgment that, ceteris paribus, the next three-year period should be one of consolidation. But let us not forget that the personnel guidelines adopted by this Board last year to reduce unpaid overtime, among other things, will not be fully met even with the increases now requested; this is an area that I intend to monitor carefully during the next year.

We have taken note of many useful observations and suggestions made by a number of Directors during today's discussion. Let me here mention some points of emphasis along with our reaction to them:

- the streamlining of Fund facilities--I very much agree that we should move in this direction;
- stronger prioritization of technical assistance requests--yes;
- periodic Board discussion of the Fund's research program--yes;
- the establishment of an Executive Board budget subcommittee--while I see merit in this suggestion, I would like to consult further with Directors on the matter, because it is not fully clear to me that budgetary priorities can be sorted out in a committee. When major policy choices are at stake, Directors generally prefer to discuss them in the Executive Board. I am also concerned that the creation of a budget subcommittee could significantly increase the time spent by the Board, the staff, and management on budget matters. Looking at the organization of Board committees, however, it would appear that such a committee could be created simply by broadening the terms of reference of the Committee on Administrative Policies. In sum, we will have to consider further how best to address these issues.

In addition, a number of Directors have asked for further work on zero budgeting. In this regard, I would recall that we have seriously looked at ways to meet such requests on several occasions in the past. In that light, I have to confess that I continue to have doubts that zero budgeting is an effective budget tool in a small institution. I think we need instead to find a way to discuss the priority to be given to various activities so that management can form a judgment as to whether there would be sufficient support in the Board to cut an activity so as to control or limit budget growth. But we need to work seriously to find such a mechanism, and I will come back with proposals to this effect.

A number of speakers have noted the much-improved budget process, and I am grateful for your comments in that regard. I am also grateful for the indications that the Executive Board, in its very broad majority, is willing to approve the supplementary staff increase of 113.9 staff years as well as the supplementary appropriation of \$15.5 million for the Administrative Budget and \$9.7 million for the Capital Budget needed for the remainder of FY 1993. I have also observed that, on the basis of the indications given

today by Board members, the Board, in its majority, is positively inclined toward the approval of the FY 1994 budget projection set out in EBAP/92/169. While that is, indeed, gratifying, let me stress my deep desire--which is no doubt shared by Directors generally--that when we consider the Administrative and Capital Budgets for FY 1994 in mid-April, there will be an even broader support for our proposals. We will be working with you individually and collectively to that end, so that this institution will have the resources needed to fulfill its critical task in the period ahead.

