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December 24, 1992

To: Members of the Executive Board

From: The Acting Secretary

Subject: Budgetary Outlook in the Medium Term - Supplement to the Managing Director's Statement

The attached supplement to the statement by the Managing Director on the budgetary outlook in the medium term is tentatively scheduled for discussion on Friday, January 15, 1992.

Mr. A. Wright (ext. 38811) or Mr. Hicklin (ext. 37137) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

The Budgetary Outlook in the Medium-Term--
Supplement to the Managing Director's Statement

December 23, 1992

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I. Introduction

This paper is a product of the changes in the Fund's budget process introduced in recent years as the Fund's budget has grown in response to the expanded role and responsibilities of the Fund. The Fund's FY 1993 Administrative Budget and projections of capital disbursements during FY 1993 amounted to $419 million. The majority of this expenditure relates to the personnel costs of close to 2,800 effective staff years.

This paper presents the analysis on which the Managing Director has based his assessment of (a) the scale and priorities for the Fund's activities in FY 1994 and into the medium term and (b) the need for additional resources under the FY 1993 budget. The Managing Director's assessment is contained in EBAP/92/167 (12/23/92). Departments' activities and resource utilization are described in EBAP/92/168, (12/24/92). The mid-year review of the FY 1993 budget and request for supplementary appropriations are contained in EBAP/92/169, (12/24/92).

In Section II of this paper, resource allocations and activities in FY 1992 are reviewed. Section III presents updated estimates for FY 1993. Section IV analyses the resources needed to meet work demands in FY 1994 and the medium term as well as to make progress toward agreed personnel and managerial objectives. That section also sets out the reasons why supplementary appropriations for FY 1993 are necessary. In Section V the implications of adopting a zero-growth approach for the FY 1994 and subsequent budgets are examined.

II. Retrospective Review of FY 1992

EBAP/92/168 (12/24/92) provides an extensive description of the outturn for FY 1992, by activity category and by department. This year's retrospective review of the previous fiscal year relies upon broad estimates provided by departments, and indicators of activity taken from a variety of sources. Next year's retrospective review of FY 1993 will benefit from the first full year of data collected systematically in the Budget Reporting System (BRS). This was introduced Fund-wide, after a pilot exercise, in May 1992.

1. Staff years

Before the increase in work on the states of the former Soviet Union (FSU), it was anticipated that total effective staff years would increase by 2.8 percent from 2,371 staff years in FY 1991 to 2,437 staff years in FY 1992 (Table 1). 1/ This increase was the expected outcome of the initially budgeted increase of 56 staff years, and an increase in externally

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1/ The coverage of total effective staff years has been widened from that used in previous Board papers to include paid overtime and temporary staff charged against Fund-wide pools (e.g., sick/maternity leave replacement) but continues to exclude personnel employed by vendors.

financed technical assistance, partly offset by a small increase in the average vacancy rate. The main objective of the increase was to boost the resources devoted to country-specific work, which had been severely stretched following the sharp increase in the number of program and other intensive cases in previous years. It was also hoped to make modest progress in increasing time devoted to staff training and development as well as supervision and management. No progress was expected in allowing staff to take their full leave entitlement, or in reducing the amount of unpaid overtime, which had been estimated at 179 staff years in FY 1991, and was anticipated to be close to 200 staff years in FY 1992.

Table 1. Estimated Allocation of Staff Resources, FY 1991-FY 1996

(in staff years)

	FY 1991 Outturn	FY 1992 Before Increase in Work on FSU	FY 1992 Estimated Outturn	FY 1993 Estimate Before Supplement	FY 1993 Projection Including Supplement	FY 1994 Projection	FY 1995-96 (average) Projection
1. Country-specific work	724	773	815	975	985	1,070	1,094
a. Surveillance and program work	534	579	615	689	695	760	766
b. Technical assistance	190	194	200	286	290	310	328
2. Policy development, research and evaluation	245	241	249	259	260	272	272
3. Statistics, information, external liaison	169	169	157	151	151	154	154
4. Administrative services	364	367	366	401	401	412	412
5. Servicing the Board of Governors, the Executive Board and their committees	283	278	266	275	276	285	285
6. External training 1/	64	69	62	79	79	78	76
7. Supervision and management; staff training and development	169	185	183	238	241	274	276
8. Paid leave and holidays	353	355	354	384	385	435	462
9. Total effective staff years 2/	2,371	2,437	2,452	2,762	2,778	2,980	3,031
Memorandum Item:							
Country-specific work as percent of total	30.5	31.7	33.2	35.3	35.5	35.9	36.1

1/ The decline after FY 1993 reflects the assumption that from mid-FY 1994 the Joint Vienna Institute will no longer be formally part of the Fund.
2/ The relationship between this figure and total budgeted staff years is shown in Table 9.

With rapidly changing developments in the former Soviet Union in the early part of the financial year, it became clear that initial resources devoted to the U.S.S.R. (some 10 staff years Fund-wide, mainly in the European Department) would be entirely inadequate. However, it was also clear in December 1991 that few of the additional resources approved in the supplementary budget (174 staff years, mostly for the work on the FSU), would be recruited and operational before the end of FY 1992. A reordering of priorities within the existing staff availability was required, while a more intensive recruitment effort was launched. Explicit temporary activity reductions were made equivalent to some 25 staff years. The normal consultation cycle was suspended in November 1991 for review after one year, and staff were also shifted from certain activities, notably policy development and research, to country-specific work.

The recruitment effort was successful and by the end of FY 1992 some 140 extra staff had been selected. However, many had only arrived shortly before the end of the fiscal year. In the event, of the additional resources budgeted, the equivalent of only 15 staff years were in place for utilization during FY 1992, bringing total effective staff resources to 2,452 staff years, an increase of 3.4 percent over FY 1991. The effort to meet the challenge posed by work on the FSU is estimated to have occupied some 114 effective staff years Fund-wide, almost all in the second half of the year. This therefore required a very significant squeeze on existing effective resources, and higher unpaid overtime.

A summary of the staff time by activity category is contained in Table 1, which shows activities for FY 1991, estimates for FY 1992 before the increase in work related to the FSU and the estimated outturn for FY 1992. (Greater detail is provided in Table 9.) Resources devoted to all aspects of country-specific work amounted to 815 staff years in FY 1992 (33 percent of the total). The increase in FY 1992 was devoted almost entirely to work on new and prospective members. Membership missions were mounted to 18 countries, and pre-membership economic reviews were produced for all 15 states of the former Soviet Union and discussed at the Executive Board. Amongst the pre-November 1991 membership, seven additional countries became program/intensive cases in FY 1992, bringing the total of such cases to 87, four more than anticipated at the beginning of the year (Table 2). In 69 of these cases a Fund arrangement was in effect for at least part of the year. The increase in the intensity of program work with the existing membership therefore coincided with the increase in work with the states of the former Soviet Union. For the pre-November 1991 membership, work on surveillance-only countries declined, reflecting the reduced availability of resources for this work that led to the adoption of temporary consultation cycles.

Technical assistance activity increased modestly in FY 1992, to 200 staff years. Within this total, priority was given to work with the states of the former Soviet Union (totaling 30 staff years). Time spent on technical assistance to pre-November 1991 members by area departments and the Monetary and Exchange Affairs Department declined, and in the latter case there was a move to shorter, though more frequent, trips as a means to deliver technical assistance more effectively. The Fiscal Affairs and Statistics Departments increased resources devoted to pre-November 1991 members, though excess demand remained.

Table 2. Basic Determinants of Country-specific Work Activity

(number of countries) 1/

	FY 1981-90 (average) Actual	FY 1991 Actual	FY 1992 Proj. (EBAP/ 91/277)	FY 1992 Actual	FY 1993 Proj. (EBAP/ 91/277)	FY 1993 Revised	FY 1994 Proj.	FY 1994-95 (average) Projection (EBAP/91/ 277)	FY 1995-96 (average) Projection
Fund members, end of year	148	155	156	157	163	176	180	163	180
Other Article IV cases 2/	1	3	4	3	3	3	3	3	3
Other countries with Fund involvement	1	3	1	17	--	4	--	--	--
Total	150	161	161	177	166	183	183	166	183
of which: pre-November 1991 members	(149)	(159)	(159)	(159)	(159)	(159)	(159)	(159)	(159)
post-November 1991 members	(1)	(2)	(2)	(18)	(7)	(24)	(24)	(7)	(24)
Surveillance-only countries	88	81	77	75	76	73	67	81	72
of which: pre-November 1991 members	(87)	(79)	(76)	(72)	(73)	(67)	(63)	(78)	(68)
post-November 1991 members	(1)	(2)	(1)	(3)	(3)	(6)	(4)	(3)	(4)
Program/Intensive cases	62	80	84	102	90	110	116	85	111
of which: pre-November 1991 members	(62)	(80)	(83)	(87)	(86)	(92)	(96)	(81)	(91)
post-November 1991 members	(--)	(--)	(1)	(15)	(4)	(18)	(20)	(4)	(20)
Memorandum item:									
Membership pending, end of year	...	2	7	20	--	4	--	--	--

Source: Area departments.

1/ The information in this table is shown in greater detail, and for each area department, in Table 10. The footnotes to Table 10 apply also to this table.
2/ Includes Article IV consultation discussions with nonmetropolitan territories. In addition, from FY 1993 consultation discussions will be held with the EC.

Most other activity categories were little changed between FY 1991 and FY 1992. 1/ Given the pressure on all aspects of the Fund's work from the FSU-related activity, including administrative support to recruit, absorb and accommodate new staff, priorities of existing activities were revised and some projects were postponed. In addition, average leave utilization fell (by 4 percent per person Fund-wide, and significantly more in the European departments). Unpaid overtime also increased.

2. Dollar Costs

Total actual administrative expenditures in FY 1992 were $338.1 million, marginally higher than the preliminary estimate of

1/ Further details, including of classification changes are shown in Table 9.

$337.8 million made at the time of the FY 1993 budget discussions in April of this year. Nearly 40 percent of this total was for country-specific work of which one quarter was for technical assistance activities. Administrative services, including servicing the Board of Governor and the Executive Board, absorbed 24 percent of total administrative expenses, with policy development, research and evaluation, and statistics, information and external liaison activities absorbing about 9 percent and nearly 7 percent, respectively. Paid leave accounted for some 11 percent of total costs.

III. Fund Activity in FY 1993

Directors will recall that the expected activities of the Fund on a department-by-department basis were described in the documents for the FY 1993 budget discussion (EBM/92/55 and 56, 4/15/92). Departments have now provided updated estimates on progress in implementing their FY 1993 work program. Given the detail provided in the background paper, a brief summary is provided below.

1. Staff years

Excluding any possible increase related to the FY 1993 Supplementary Budget request, it is estimated that total effective staff years in FY 1993 will be 2,762 staff years, an increase of 310 staff years or 12.6 percent over the outturn for FY 1992. As shown in Table 8, column 3 (page 41) the increase comprises:

- the full year effect of the resources approved in the FY 1992 Supplementary Budget	107
- the resources approved in the FY 1993 Budget plus the resources approved for the Joint Vienna Institute in July 1993	112
- estimated effective staff years for Executive Directors' offices resulting from decisions to increase staffing and add two new offices	25
- externally financed technical assistance experts	29
- projected reduction in the average vacancy rate to 4 percent	37
	310

Most of the increase in effective staff resources is occurring in the area and functional departments. This is reflected in the substantial increase in time being devoted to country-specific work in FY 1993, most notably to a further augmentation in the work related to the states of the former Soviet Union. Fourteen of these countries have now become Fund members and Tajikistan is expected to join shortly. Staff working on these countries are stretched beyond a sustainable level. Excluding any possible supplementary budget increase, the technical assistance program is projected to increase from 200 to 286 staff years. There will be a sharp increase in resources for the new and prospective members to some 82 staff years. Though some long-term experts for the states of the former Soviet Union were selected several months ago, logistics have prevented significant deployment in the field until late 1992. For the pre-November 1991 membership there will be a recovery to FY 1991 levels in the time devoted to technical assistance by MAE and some increase in that provided by FAD and STA.

The allocation of effective staff resources is broadly in line with that anticipated at the time of last year's Medium-Term Outlook exercise and the presentation of the FY 1993 budget. 1/ However,

- staff resources devoted to administrative services are higher than was previously projected. The outcome in administrative services reflects the difficulty of absorbing the very large increase in activity, and in staff, related to the new and prospective members. For example, additional requirements for space at headquarters has put pressure on facilities personnel. The technical assistance-providing departments and the support departments, also, have found the administrative burden of processing and providing technical assistance for the FSU to have been much more complex and time consuming than expected;

- though progress is expected to be made in FY 1993 in allocating more resources to supervision and management and staff training and development, other personnel objectives are unlikely to be achieved. For example, the average leave taken per person will fall further and unpaid overtime will continue at very high rates;

- the composition of country-specific work with pre-November 1991 members reflects an important shift to work on program or other intensive cases. In FY 1993, the number of pre-November 1991 members undertaking programs or intensive discussions has risen further to 92 (87 in FY 1992) and by December 1992 64 of these countries had had an arrangement in effect (69 in FY 1992). The average time spent on these countries has increased from FY 1991 levels. Resources that can be devoted in FY 1993 to surveillance-only countries is correspondingly lower, even though the ending of the temporary consultation cycles in midyear will add to the work load.

2. Dollar costs

The Administrative Budget for FY 1993, approved by the Executive Board on April 15, 1992, amounted to $386.8 million. This amount was subsequently

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1/ It should be kept in mind that changes in classification, coinciding with the introduction of the BRS in FY 1993, have made comparison with earlier years difficult.

increase to $388.6 million in July 1992, when the Executive Board approved a supplementary appropriation for Phase I of the Joint Vienna Institute. The recent decisions to increase the size of the Executive Board and to increase the staffing of Executive Directors' offices was not accompanied by supplementary appropriations. Based on actual expenditures to date, total administrative expenses are now estimated to be $404.1 million or 4 percent above the level approved. A more complete analysis of the reasons for the increase is contained in EBAP/92/169 (12/24/92). In summary, the increase reflects the expanded size of the Executive Board, the lower-than-budgeted level of vacancies, the increase in travel prices and volume particularly to the states of the FSU and the impact of the additional staff resources being requested in the supplementary budget appropriations for FY 1993.

From a work activity perspective, the share of dollar resources allocated to country-specific work is estimated to increase from 40 percent in FY 1992 to nearly 44 percent in FY 1993; this is directly attributable to the large staff increases provided for this work during the past two years, and the associated increases in the costs of travel and the opening of a large number of new resident representative posts. Small increases are also expected in the share of total administrative expenses invested in external training and in general supervision. The relative shares of policy development, research and evaluation, statistics, information and external liaison, and administrative services are all projected to fall, as is the share utilized for paid leave.

IV. Management's Proposal for Supplementary Resources in FY 1993, and for Staffing Levels in FY 1994 and the Medium Term

1. Historical perspective

The recent and prospective increases in the output of the Fund, and the recent and proposed increases in resources described in this section, need to be set in perspective. With the rapid move to universality, the Fund's membership is expected to reach 180 countries by FY 1994. This represents an increase of 22 percent from the average of the 1980's (Table 2). The number of program countries and other intensive cases is expected to total 116 in FY 1994 compared with an average of 62 in the 1980's, an increase of some 87 percent. As has been noted in past discussions, program work involves significantly more resources than surveillance work alone. Simply taking account of the higher proportion of members undertaking or discussing Fund-supported or monitored programs, it is estimated that by FY 1994 the demand for program and surveillance work would be almost 45 percent higher than the average for the 1980s.

These indicators, however, understate the increase in the Fund's work load. Account also has to be taken of the changing nature of the Fund's work, which has become more complex and time consuming for each kind of country since the early 1980s. There are many reasons for this. It was shown in last year's outlook paper that the work on former centrally planned economies involved substantially more resources than other program cases, and the increased complexity of program work more generally has been documented. Partly as a reflection, contacts with other institutions are more pervasive. Besides the more broad ranging policy content of program work, technical requirements have also increased. For example, medium-term assessments are now prepared for all countries, and external financing issues are more involved. The increases in the quantity and complexity of program and surveillance work are the major forces driving the increased work load, not just in the area departments but throughout the functional and support departments. Closely related has been the sharp increase in the provision of technical assistance, which increased from 148 staff years in FY 1988 to a projected 310 staff years in FY 1994, and in the size and scope of the resident representative program from 28 to 69 staff years over the same period.

Within a medium-term context that looks forward to FY 1995-96, this statement is focused on the Managing Director's judgment of the Fund's appropriate size, structure and staffing level by FY 1994. It implies a level of budgeted staff resources (excluding vendors) that is some 40 percent higher than the average for the 1980s. (Increases in externally-financed resources and for Executive Directors and their offices are additional.) Almost half of this staff increase is directly attributable to the increased membership over the past two years. Compared to the average for the 1980s, the Fund's total net dollar costs (administrative and capital cash outlays, less reimbursements) will be some 133 percent higher in FY 1994, or 56 percent higher in constant dollar terms.

The slower growth of staff resources relative to the demands on the Fund and to total real expenditures over this period attests to the strong desire to keep the Fund as lean as possible, but without jeopardizing the quality of work and the commitment of the staff. The staff have, for the past few years, been asked to tackle an excessive amount of work and they have done so at considerable cost in unpaid overtime, leave foregone, and work-related stress. In terms of the human capital on which the Fund's effectiveness depends the cost has also been unacceptable. Insufficient time has been spent on management and supervision, as well as on staff training and professional development, the effect of which is slow to emerge but takes much longer to correct. The consequences of this have already been evident, and it has been a priority to make improvements. The growth of staff projected for FY 1994 is predicated upon explicit activity cuts, increases in productivity, mainly in support departments, and moves towards dollar budgeting with a continued increase in vendorization of services, some of which have traditionally been performed by staff. Over a seven-year period to FY 1994 the area departments would have grown by some 60 percent, functional departments by close to 50 percent, and support departments by less than 10 percent. These estimates exclude an increasing number of vendor personnel in recent years.

The prospective changes in the key indicators that drive the Fund's work load (shown in Table 2) are as follows:

- Fund membership totaled 173 countries at the end of November 1992. A number of new members can be expected, whether by application or succession (Micronesia, Tajikistan, and the constituent republics of the Federal Republic of Yugoslavia) and it is expected that Czechoslovakia will be divided and result in membership for the Czech Republic and the Slovak Republic from January 1993. In addition, the Fund is conducting Article IV consultations discussions with Aruba, The Netherlands Antilles and Hong Kong. It is therefore expected that there could be eligibility for some 183 Article IV consultation discussions in FY 1994 and over the medium-term, up from 149 in the 1980's, 160 in FY 1992, and 179 in FY 1993. The surveillance cycle is indicated in Table 10. No account is taken in this outlook of the resource implications of any further membership applications (which in the case of Eritrea, for example, is likely in 1993).

- The number of program countries and other intensive cases is projected to rise from 110 in FY 1993 to a peak of 116 in FY 1994. The present projections of a level of 111 program and intensive cases in the medium-term (FY 1995-96) will provide the basis for the staffing request for FY 1994.

2. Summary of proposed staffing increase by FY 1994

The overall results of the estimates for each work activity category reported below is that a budgeted increase of 176 staff years is needed between FY 1993 and FY 1994 to come close to achieving the broad medium-term targets previously set forth. Of this amount, 36 staff years would be in line with the medium-term requirements previously envisaged for pre-November 1991 members, 127 would be for work with post-November 1991 members, and 13 would be for new activities. (Within the increase for new and prospective members, 114 staff years are being requested as a supplementary appropriation for FY 1993.)

In addition to the increase in budgeted staff years, there is expected to be a further increase of externally-financed technical assistance (19 staff years), additional staffing approved by the Executive Board for their offices (10 staff years in addition to the 23 already included for FY 1993), and a small net reduction in unfilled vacancies (of 13 staff years).

With the resources requested, substantial progress will be made toward meeting the work load now expected in FY 1995-96. However, because of the inevitable delays in recruiting and absorbing the new staff, there will be an interim period when the work load in key areas will be greater than can be accommodated. The scope for further temporary redeployment of resources--akin to that instituted in late 1991--is reduced with the resumption from November 1992 of full surveillance activities with all members. Adjustments will therefore be more difficult to make. It will mean prioritizing requests for work from the Executive Board as well as individual Directors and member governments, and postponing other requests. It may be necessary to instruct departments to defer work where necessary if the personnel objectives set for their departments for FY 1994 cannot otherwise be met.

A major element of the medium-term strategy has been to increase the proportion of total Fund resources devoted to country-specific activity, the category where it is judged the imbalance in resources is the most urgent to address. In this connection, the area departments must be enabled to return to the level of continuity in country desk coverage and mission staffing necessary for efficiency. Specifically, the Managing Director's judgment this time last year was consistent with the share of resources devoted to country-specific work rising from the equivalent of 30 percent of effective staff time in FY 1991 to over 35 percent in FY 1994-95. On the basis of the projections detailed below, this would be achieved by FY 1994 and maintained in FY 1995-96. Progress would be made on achieving managerial and personnel targets, though there would still be a shortfall in FY 1994 compared with the medium-term objectives.

The distribution by activity of the proposed budgeted staffing increase of 176 staff years by FY 1994 is provided in Sections 3 to 5 below. Table 3 provides a summary of the increases proposed in these three sections. Indications are also provided of any further changes foreseen in the medium term (FY 1995-96).

Table 3. Summary of Proposed Staffing Increases in FY 1993 Supplement and FY 1994

(In budgeted staff years)

Activity Category	Section (3) Pre-November 1991 Members	Section (4) Post-November 1991 Members	Section (5) New Activities	Total
Country-specific--surveillance and program work	25	91	--	113
European I Department		(25)		
European II Department		(37)		
Other departments		(29)		
Country-specific--technical assistance	2	14	2	18
External training	1	3	--	4
Policy, development, research and evaluation	-1	--	11	10
Statistics, Information and external liaison	--	5	--	5
Administrative services	-8	12	--	4
Servicing the Board of Governors, the Executive Board and their committees	--	2	--	2
Supervision and management; staffing training and development	17	--	--	17
Total	36	127	13	176

3. Staffing increase associated with the pre-November 1991 membership in FY 1994 (36 staff years) 1/; and the outlook for FY 1995-96

a. Country-specific activity--surveillance and program work--(25 staff years)

In this section, proposals are made for increases of 37 staff years in area and functional departments. It is estimated that of this total some 25 staff years will be devoted to country-specific work, and 12 staff years to supervision, management, staff training and development, and leave (see Section 3.h. below).

This activity category encompasses all bilateral surveillance work with members, and all work dealing with members' requests for use of Fund resources, whether or not a Fund arrangement is concluded. It excludes technical assistance work. For the purpose of simplifying budgetary presentation, countries are classified into two broad groups: surveillance-only, and program countries and other intensive cases. The latter includes not only countries discussing or implementing a Fund-supported program, but also those with protracted overdue obligations to the Fund, and those with various forms of Fund monitoring (including enhanced surveillance and post-ESAF consultations) 2/. As noted, average resource use per country is higher for work on program countries and other intensive cases than for surveillance-only. In FY 1991, and exclusive of overtime, Fund-wide resource use amounted to 1.7 staff years per country (1.2 staff years in area departments) for bilateral surveillance work only, and 4.9 staff years per country (2.8 staff years in area departments) for both bilateral surveillance work and program work. Work with members in the program/intensive category absorbs roughly equivalent resources whether or not an arrangement with the Fund is in effect 3/.

The amount of resources that need to be allocated to country-specific activity over the medium term depends on:

- projections of the number of pre-November 1991 members (159 countries) falling into the program/intensive category;

- a judgment on appropriate staffing levels for different country categories.

(1) Projections for number of program countries and other intensive cases

Critical to the medium-term outlook for the Fund's work load is the judgment that the number of program countries and other intensive cases

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1/ Figures in parentheses for each heading in this section refer to the proposed change in budgeted staff years proposed for the FY 1994 Budget.
2/ For a full definition, see the Annex.
3/ For this reason, in making projections, it is not necessary to estimate precisely the number of Fund arrangements for FY 1994 to FY 1996.

for the pre-November 1991 membership will increase from 92 countries in FY 1993 to 96 by FY 1994, before falling to 91 in FY 1995-96. (Details by area department are shown in Table 10.) The figure for FY 1995-96 is higher by 10 countries than the estimate made last year for the medium term and is based on a review of the experience with the medium-term projections made over the past year. The major factors behind the increase are:

- Experience (especially in AFR and WHD) that even when the economic situation is improving, countries are seeking precautionary arrangements or special monitoring, often in situations with high levels of outstanding credit from the Fund.

- The greater likelihood that several countries will either introduce or press ahead forcefully with reform programs over the medium term than had seemed possible a year ago (in MED, CTA, SEA).

These judgments were based on projections made separately by each area department and they form the basis of work programs for the departments. In making their projections, area departments assumed that Article IV consultation cycles continue at the cycle in effect from November 1992. No assumption was made concerning the extension of the deadline for entering into ESAF arrangements nor is a further change in ESAF eligibility assumed. However, it is assumed that after disbursements under ESAF arrangements have ceased, Fund relations with the members concerned are close, involving close monitoring and special analytical studies on subjects relevant to their macroeconomic policies. SAF/ESAF related activities are projected to remain at their present level through FY 1995, trending down thereafter.

(2) Appropriate staffing levels

The medium-term objectives for area departments' staffing levels for each kind of country remain those used to make projections for the past year. For each program country or other intensive case, approximately 5 staff years (of all grades) are necessary, on average. For surveillance-only work on G-7 countries the staffing requirement is, on average, between 5 and 6 staff years. For other surveillance-only countries, requirements vary widely from 1 to over 4 staff years, and the average is about 2 staff years. Further details on the time taken up by work on these three categories are contained in the Annex.

These staffing levels are, in the view of the Managing Director, the minimum required for area departments to carry out the functions assigned to them and to undertake their work program on a basis that is sustainable, and of the quality that the Fund requires. In support of this view, the following is noted:

- When, as in the past two years, area departments are under-staffed, management and personnel activities, including much needed leave and training, are sacrificed and unpaid overtime remains at an unacceptable level. This is borne out by the BRS data for the first half of FY 1993, and a staff increase is required to address this situation.

- Many area department managers in their responses to the 1991 survey (EBAP/91/278, pp.37-39) expressed concern that the resource imbalances, if continued, would lead to a loss of quality in the advice given to members. Insufficient time spent on basic desk work, including the management of country data as well as on in-depth analyses of countries' economies were highlighted. When staff resources are inadequate, it is also difficult to maintain continuity of staff working on an individual country. These concerns provide fair warning of the cost of cutting too many corners in staffing levels. The cumulative threat to the quality of the advice provided by the Fund staff is of fundamental concern, and lies behind the strategy for managerial and personnel as well as budget policies.

- In making their contribution of some 10 staff years toward the Fund-wide savings of 45-50 staff years that remain an important element of the medium-term budget strategy, area departments have been instructed to ensure that appropriate assurances are received from country authorities on the readiness to receive a staff team, including preparing data prior to mission departure. In this way missions can be kept as short as possible. Projected area department staffing levels have been lowered by over 1 percent in anticipation of savings. The best way of achieving these or alternate savings will be left to each area department to decide.

- An improved distribution of the work load was achieved in FY 1993 by a shift of countries from CTA to SEA, and from AFR to MED and EU1 to AFR.

Given the country projections and indicative staffing levels described above and in the Annex, an increase of 49 staff years would be justified by FY 1994 for area departments to achieve the overall size appropriate for their medium-term work program. Of this amount, it has been decided not to attempt to absorb more than 30 staff years in FY 1994. In considering the advantages and disadvantages of moving more quickly, the urgent needs for new country work (which is the dominant concern for European I and II departments - see Section 4.a below) are weighed against the optimal speed of adjusting to transfers of responsibilities, the unsettled outlook in some countries, and the time consuming process of recruiting and fully absorbing high quality staff. In a significant step toward meeting the medium-term staffing objectives for area departments increases are therefore proposed in FY 1994 for AFR (8 staff years), CTA (3), EU1 (1), MED (7), SEA (5) and WHD (6). The staff year in European I is to help meet the additional work involved in consultation discussions with the EC. It is intended to hold over until the FY 1995 budget the remaining increase of 19 staff years to achieve the medium-term staffing objective for area departments. That occasion will also provide the opportunity to review once more the expected intensity of country-work, including the possibility that a few countries could remain inactive for several years.

It is important to note that the proposed increases would help area departments alleviate the resource imbalances that have arisen, including through reducing unpaid overtime. However, no staff resources have been allocated for increased regional work (which is rising significantly), or for more comprehensive data or analytical work. Future budget exercises will need to consider these issues. For the moment, however, tentative projections of staffing increases for area departments in FY 1995-96 would include the 18 staff years held over from the current exercise.

Proposals will be made in the FY 1994 budget for 3 new resident representative positions for countries that were members prior to November 1991, bringing the total to 48 for these countries. Steps have been taken, following an internal review, to tighten procedures for requesting new, and reviewing existing, positions. Given the cost of the resident representative program, a full review of the costs and benefits of the program will be undertaken in 1993.

The prospect that the Fund will be supporting or monitoring programs in an increased proportion of the pre-November 1991 membership has implications for the functional departments that contribute to area department missions and to the review process. The particular role of the Policy Development and Review Department involves, as a key element of its work, participating in missions to almost all active program/intensive cases. With the medium-term outlook for country work, an additional 3 staff years for this purpose is fully justified. At this time no change in staffing levels for other functional departments, including the Fiscal Affairs, Monetary and Exchange Affairs, and Statistics Departments, is proposed for this purpose. In the Research Department it is proposed to add one economist to support the department's contributions to the in-depth review of selected countries at an early stage in the formulation of the staff's strategy. The internal country review process has been streamlined this year in order that area departments receive the contribution of other departments at an early stage in the process of formulating policy, when Fund-wide expertise can be of most help. The amount of effort devoted to the review of documents in later stages of production has been reduced.

b. Country-specific activity--technical assistance (2 staff years)

A year of consolidation in technical assistance activity is called for. Time is needed to absorb the major increase in work that has taken place over the past few years and to take stock of the objectives and means of delivery of technical assistance. The creation of the Technical Assistance Secretariat (TAS) in late 1991 to support the Technical Assistance Committee (TAC) has facilitated the increased coordination of technical assistance and external training requirements both within the Fund and with other donors. One of the roles played by the TAC is to provide a framework for achieving an appropriate distribution of technical assistance across all regions.

Building on the work begun in 1992, a wide ranging review of technical assistance will be undertaken in 1993.

For FY 1994, no increase is proposed in budgeted Fund-financed staff resources for technical assistance to the pre-November 1991 membership, except for 2 staff years in the Fiscal Affairs Department to help provide support for the increasing administrative aspects of the technical assistance program. After the short-term decrease in some areas, especially in central banking assistance to accommodate work on the FSU, technical assistance to the pre-November 1991 membership would in FY 1994 have been restored to at least the level in FY 1991, and assistance in the fiscal and statistical areas would have increased markedly, though by less than envisaged in last year's budget exercise. No further increase is contemplated at this stage for FY 1995-96.

Directors should be aware that the proposed level of technical assistance in FY 1994 will imply that an increasing number of requests from authorities will have to be denied or postponed. The three major technical assistance-providing departments have reviewed projected technical assistance needs for FY 1994 with area departments on a country-by-country basis. They report that already received and anticipated requests for the Fund's technical assistance services may exceed available capacity by as much as 20-25 percent for most technical areas.

In last year's medium-term outlook, an increase in technical assistance to pre-November 1991 members was projected between FY 1993 and FY 1994-95. Given the additional requirements for surveillance and program work (as described above), and the large increase in technical assistance resources for new members, the proposed change in priorities for FY 1994 is seen as prudent and, in the year to come technical assistance departments will be:

- consolidating the increases that have taken place and implementing improvements in the administration of technical assistance;

- targeting efficiency savings equivalent to 4 staff years, by ensuring that authorities are fully prepared in advance of missions, and streamlining the process of reviewing applications for technical assistance and defining and approving terms of reference;

- assessing the overall capacity of each department to deliver technical assistance, and the most appropriate use of resources, including the composition of missions and the mix between short- and long-term assistance.

c. <u>External training</u> (1 staff year)

This activity category accounts for about 3 percent of staff resources and encompasses all programs of the IMF Institute, with some support from other departments. The medium-term outlook of December 1991 envisaged no increase for the pre-November 1991 membership. An increase of 1 staff year is now proposed for FY 1994 to provide managerial level support for the administration of the Institute. The projections do not allow for an expansion of work in regions such as Africa (where scope exists for the Institute to make important contributions) unless reductions are made elsewhere.

d. Policy development, research, and evaluation (-1 staff year)

The key aspects of the work in this category, which utilizes about 10 percent of total staff resources, encompass the World Economic Outlook; policy and research work related to surveillance and conditionality for the use of Fund resources; policy work related to Fund facilities and reviews of specific Fund policies; research work and policy development on fiscal issues, monetary, exchange rate and exchange system and trade matters, on international capital market and external debt issues, work on the international monetary system, the SDR, Fund quota, overdue obligations, the Fund's liquidity, income, and precautionary balances positions; the ongoing interaction among the Executive Board, management, and staff; and preparation of Interim Committee meetings. All policy-related activities respond closely to the agenda and priorities established by the Executive Board in its semiannual work program.

Executive Directors will recall that the medium-term outlook envisaged a reduction of about 3 staff years in this category from FY 1992 to FY 1994. This is no longer viewed as appropriate. Despite some activity cuts introduced at the time of the FY 1993 budget and a proposed reduction of 1 budgeted staff year in FY 1994 in OMD (with the completion of the task force report on the Evaluation Office), this category will have increased between FY 1992 and FY 1994 by 23 staff years. 1/ The following points are relevant:

- Additional resources were provided in the FY 1992 supplement and the FY 1993 budget, mainly arising from the new responsibilities assigned to the Monetary and Exchange Affairs Department (MAE).

- The continued pressure of work has not allowed as much progress as desired on a general review of facilities. As foreshadowed, there has been discussion of the simplification of the Fund's financial facilities. In addition, the staff has put to the Board proposals that would simplify the external contingency mechanism (ECM) of the CCFF. The abolition of the ECM is not proposed, however, and the simplifications are expected to save little staff time. Indeed, they may facilitate a more widespread use of the facility.

1/ An unwinding of the temporary redeployment of 6 staff years for work on the FSU and changes in classification account for most of the increase between FY 1992 and FY 1993. Most of the increase in FY 1994 reflects the proposed establishment of an Evaluation Office (see Section IV.5 below).

Events of the past few months have indicated the need for an intensification of work on multilateral surveillance, including WEO, rather than a reduction. More analytical work also needs to be undertaken on systemic issues and on capital markets. This is expected to be achieved by appropriate reordering of priorities within the general category of policy development, research and evaluation.

e. Statistics, information, external liaison (no change)

Principal components of this category, which uses 6-7 percent of total staff resources, comprise the development, collection, and maintenance of statistics; production of publications; provision of information services; and developing relations with other institutions.

In the previous medium-term outlook, a net reduction of 10 staff years was projected for this category between FY 1992 and FY 1994. In FY 1993 a net reduction of 6 budgeted staff years was effected. No further budgeted change is proposed at this time. However, after the conclusion of the Uruguay Round, a review of the size and scope of both the Paris and Geneva offices will be undertaken. In addition, consideration will continue of the establishment of an Office in Tokyo with responsibilities that would include coordination with regional organizations in Asia and the Pacific.

Over the past two years, increased demands for technical assistance on statistics and statistical work related to country operational work were met by scaling back resources devoted to data maintenance in the Economic Information System (EIS) maintained by the Statistics Department. Against a background of increase needs of member countries to improve their data requirements for policy analysis and monitoring, this reduction, if continued, has implications for currentness and quality of the EIS data base, which serves as a basis for Fund statistical publications. In the FY 1991 medium-term budget outlook paper, it was indicated that there was the need to address a number of strategic issues in the area of statistics. As suggested at the time, these issues will need to be taken up in the next medium-term cycle. So far, efforts to constrain the staffing level have succeeded, but significant increases in new work, such as on military expenditure statistics, could not be managed within the present staffing levels.

External relations have taken on increasing importance in recent years as a result of efforts to improve public perceptions of the Fund. In particular, expanded responsibilities have been assumed for addressing concerns raised by the media, as well as labor unions, parliamentarians, environmentalists, and other NGOs. The size and scope of the publications program have increased. Sales and marketing activities for these publications have also expanded, as is indicated by revenue data. As resident representatives and area department staff have devoted more of their time to external relations, the External Relations Department has spent a greater proportion of its time providing guidance to the rest of the staff.

f. Administrative services 1/ (-8 staff years)

The provision of administrative services 2/ is projected to absorb some 14 percent of total resources in FY 1994. In FY 1991 it is calculated to have been about 15 percent and although changes in the classification of activities prevent accurate comparison with earlier periods, it is estimated that in FY 1984, this proportion was approximately 21 percent. The automation and streamlining of procedures and increased reliance on vendors in some areas have been the main factors responsible for reducing the relative share of staff resources devoted to this activity.

The medium-term outlook of last December envisaged a net reduction of 12 staff years in this category from FY 1992 to FY 1994-95. Despite work load increases in several areas that had not been anticipated earlier, activity reductions are being implemented in the Administration, Secretary's, and Treasurer's Departments and in the Bureau of Computing Services.

At the time of last year's medium-term exercise, the hope was expressed that the increase in demand for administrative services as the Fund's overall staffing rose to the levels indicated could be absorbed through further efficiency improvements in FY 1994-95. It was stated at the time that the projection of no further change in use of staff resources for administrative services relative to FY 1993 was very tight and might not be achievable. Since then it has become clear that the unprecedented increase in staffing, with implications for all aspects of administrative work, will prevent any decrease in resources for this category of activity. (Although budgeted staff years will decline by 8 staff years in FY 1994 this is entirely due to vendorization in BCS.)

The FY 1993 budget envisaged activity cuts, including 3 staff years by FY 1994 resulting from the simplification of benefits. A paper outlining proposals to simplify benefits was submitted to CAP in August 1992 (EB/CAP/92/9, 8/19/92). The Committee had reservations on some of the staff proposals, while supporting others. In light of the guidance received, more specific proposals are being prepared by the staff. In the meantime, administrative savings will be sought in FY 1994 through, inter alia, further streamlining the administrative steps the Fund currently follows to process business travel, the adoption of more effective document production technologies, labor saving enhancements in handling external communications, and efficiency gains resulting from increased use of office network systems. It is expected that 3 more staff years will be saved in FY 1994 and FY 1995 with the completion of major automation projects.

1/ Excluding servicing the Board of Governors, the Executive Board and their committees which is covered in the next section.

2/ The main components are personnel management; data processing, communications and information management; building services; technical assistance support; administrative accounting and expenditure control; budgeting; graphic services; transportation services.

The net budgeted increase of one staff year in FY 1994 (excluding the conversion of 9 staff years to vendors) comprises the following:

- An increase of two staff years in the Office of Budget and Planning for additional analytical and planning work required by the enhanced budget process.
- One staff year in LEG to help with the increase in legal issues related to administrative matters.
- Reductions totalling some 2 staff years through further rationalization of processes.

In addition to the staff costs in those departments that perform the major administrative services, there are important items of expenditure that are managed largely by the Administration Department (e.g., capital projects, building and facility management services), though the expenses relate to a much broader range of activity categories than administrative services alone. Travel costs have been particularly high in the past few months. One step that has been taken is that with the opening of scheduled airline services from European cities to several of the states of the FSU, the expensive but necessary short-term practice of chartering aircraft for some missions has been curtailed for all but five states. In addition, the proposal the Managing Director made last year to change the present first class travel by staff and the Executive Directors and their assistants for appointment and resettlement to business class was not approved at Board committee stage. It is recommended that this issue be reconsidered to achieve the savings of $0.5 million or double that amount if no grandfathering is provided.

As part of the review to be conducted on technical assistance, the option of dollar budgeting for this activity will be fully explored, with specific steps and timetable for implementation. Given the diverse ways in which technical assistance is delivered to the membership, travel costs would be one important element of the total costs that the technical assistance-providing departments would need to manage.

As regards mission travel, the Managing Director continues to consider it inappropriate, as long as current circumstances of intensive operational mission activity continue, to change present work practices. The flexibility and convenience of existing mission travel arrangements should not be underestimated; these are important complements to the way in which the mission work is conducted. Careful thought has been given to this issue, with emphasis on the importance of minimizing the stress of mission travel and ensuring that the staff concentrate their full attention on the work at hand. As noted on earlier occasions, some of the saving that could be obtained by downgrading the class of mission travel would be offset by a variety of compensating factors that add to travel costs and additional leave time that would be required.

g. Servicing the Board of Governors, the Executive Board and their committees (no change) 1/

The medium-term outlook of December 1991 envisaged a net reduction of 6 staff years on work with the existing membership by FY 1994-95. The FY 1993 budget achieved half of this activity reduction with the cessation of the translation of REDs for transmittal by some Executive Directors to their constituencies. Further savings in this category depended largely on additional changes in the production of Executive Board minutes which Executive Directors have not pursued. No additional savings are anticipated in FY 1994 and the increase in the number of staff in Executive Directors' offices will add to the net time spent on this activity category.

h. Supervision and management, staff training and development, and leave (17 staff years)

As noted in paragraph (a) above, the proposed increase in staffing of 25 staff years in FY 1994 for country-specific work is consistent with an increase of approximately 12 staff years of time spent on supervision and management, training, professional development, and leave. This increase will contribute to achieving the medium-term targets for these categories in the area departments. An additional 5 staff years are proposed under the Temporary Assignment Program, which has been a very effective initiative to enhancing the skills and thereby increasing the versatility of noneconomist staff and encouraging interest in broader-based career development. When account is taken of the projected reduction in the vacancy rate in FY 1994, the total time spent on these categories will increase further over the level seen in FY 1993.

The Administration Department is putting in place a system for monitoring quantifiable components of the human resource imbalance (e.g., annual and compensatory leave, training, travel, overtime). This system will generate periodic reports to departments so that they can also monitor their own situation, and it will call to the attention of the Managing Director any specific areas of imbalance that persist over a lengthy period in individual departments. This monitoring system will be operational early in 1993. By this means, assurance will be given that the budgeted resources will be used to achieve the personnel and management objectives that have been at the heart of the current medium-term strategy. For example, the goals will involve an increase in the average amount of annual leave taken Fund-wide from 21.3 days in FY 1993 to 22.2 days in FY 1994 (the allowance varies from 26 to 30 days); and an increase from 5.7 days to 6.6 days of staff training per employee. In addition, the hours of unpaid overtime will be monitored to ensure that departmental work programs are brought more into line with the availability of paid staff resources and that provision is

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1/ The projection for no change in budgeted staff resources does not include staffing for Executive Directors' offices which was increased by (a) 15 staff years under a decision taken in September 1992 and (b) 18 staff years as a result of the addition of two new offices.

made for an increase in time for supervision and management in line with the target set last year. One area that will be scrutinized carefully, in the context of the review of technical assistance and the changes taking place in departments, is the appropriate balance in the technical assistance-providing departments between the delivery of technical assistance and its supervision and management.

4. Staffing increase associated with the post-November 1991 membership in FY 1993 Supplement and FY 1994 (127 staff years); and the outlook for FY 1995-96 1/

The Managing Director's judgement is that an additional 127 budgeted staff years are required to work with new and prospective members (i.e., those joining the Fund after November 1991). Of this total, 114 staff years will be requested in the supplementary appropriation for FY 1993 and 13 staff years in the FY 1994 budget. The following general points should be noted:

- Earlier estimates of work on the states of the former Soviet Union were deliberately conservative. The Managing Director undertook to seek Executive Board approval of new positions only when the need had been clearly established.

- No provision has so far been made for the consequences of the dissolution of Yugoslavia and Czechoslovakia.

- Additional resources are being requested only for essential tasks directly related to the work on the new and prospective members. Most of this is in the form of country-specific work, either in the area departments or in the functional departments. However, some increases are necessary to meet the additional work load involved in providing support services for new members and the new staff working on them.

Besides the responsibilities falling on the area departments most closely involved, work on the new and prospective members in the European I and European II Departments requires other departments to contribute major efforts, including:

- by providing mission members with specialized expertise;

- by reviewing and contributing to policy analysis at headquarters;

- by providing, managing and supervising technical assistance to these countries;

1/ Figures in parentheses for each heading in this section refer to the charges in budgeted staff years proposed in the FY 1993 Supplementary Budget and for the FY 1994 Budget.

- by providing a wide range of administrative services for the new staff and activities.

The proposed budgeted increases are grouped below into the activity categories with which they are most closely associated.

a. Country-specific--program and surveillance work (91 staff years)

(1) European I Department--25 staff years

The dissolution of Yugoslavia into five separate republics, and the separation of the Czech and Slovak republics brings the prospect of five new members, all of which are classified as program/intensive cases. The indicative area department staffing levels for such countries, as explained above, is some 5 headquarters staff years per country, implying 25 staff years in all. Given the uncertainties involved, the initial estimate of requirements has been lowered to 21 headquarters staff years for these five countries. The proposal also includes 3 new resident representative positions. In addition, San Marino has joined the Fund and is assumed to be placed on the 24-month consultation cycle; and more time will be spent on Switzerland than prior to membership. This additional surveillance work requires 1 staff year, bringing the present estimate of the medium-term staffing needed for these new activities in the European I Department to 25 staff years. If all five new program/intensive cases become fully active, the medium-term staffing complement in later years could rise by some 4 headquarters staff. Additional resident representative positions may also be appropriate.

There is an immediate need for some of these additional resources to meet the work that is already underway and has required internal redeployment from work on other countries in the European I Department. Missions have already taken place or are planned to Croatia, Slovenia, Slovakia, San Marino, and Switzerland. Slovakia is likely to seek financial support from the Fund and the international community early in 1993. In the newly independent countries, the need for advice on institutional arrangements, including setting up central bank functions, is as urgent as in the states of the former Soviet Union (some limited assistance has already been provided by Fund staff in three of the five cases). It is therefore requested that 15 of the 25 staff years needed should be provided in the supplementary budget for FY 1993 and a new division be established. Seven headquarters staff years and three new resident representative positions are expected to be requested at the time of the FY 1994 budget, when the situation in these countries will be clearer.

Without these increases, the prospective surveillance work load for European I Department will have to be scaled back. This would be inconsistent with the views expressed at the time of the Executive Board decision to revert to the normal consultation cycle. The Managing Director's strong conviction is that surveillance work in Europe should not be reduced at this time. If anything, the exchange market turbulence and the efforts to promote greater integration among European members could justify an even greater Fund effort. Work pressures will continue to be intense until new staff are recruited and fully absorbed.

(2) European II Department--37 Staff Years

As a rapid response to the dramatic changes in the former Soviet Union, the European II Department was established in December 1991, before the full implications of its potential work load could be assessed. Judgments on the initial staffing level, and the increase in April 1992, were deliberately cautious, pending developments in the political and economic circumstances of the FSU, and progress in discussions with the authorities of the various member countries. As mentioned above, mission activity to the FSU has been almost continuous since December 1991, and work has moved to a level that was inconceivable a year ago. European II has been asked to take the lead in pushing forward stabilization and reform in all 15 countries of the former Soviet Union, and in circumstances that are more difficult than first imagined. The aim is to assist all states to prepare and present economic programs that can be supported by the Fund and the international community. All fifteen states are therefore likely to require intensive Fund involvement over the nest several years. Four countries have stand-by arrangements in place in the forth quarter of 1992, and program discussions have proceeded at differing paces in other countries. Within the work program, large amounts of staff resources are being devoted to interrepublican issues and to Russia in part because of the importance of Russia's economy for the other successor states, and because policy in Russia heavily influences economic developments and possible policy in the other countries.

The existing headquarters staffing level in European II Department is 68 staff years, or 4.5 staff years per country on average. This is somewhat less than the Fund-wide level of 5 staff years per country for area department staffing that is the indicative level to be reached on average for program countries or other intensive cases by FY 1994. As noted, the resources are skewed toward Russia and interrepublican issues, which together will occupy an estimated 16 staff years in FY 1993. For the other countries, the present staffing is an average of 3.7 staff years per country, with wide variations depending on country circumstances.

These resources are inadequate to meet the present work load and existing working conditions are unsustainable. Either there must be a radical reduction in the activity in the states of the former Soviet Union or resources must be increased. Examples of the imbalance, and the extraordinary efforts the staff have made in the past months will illustrate the point:

- Staff trips to the FSU, and Russia in particular, are running at an unprecedented rate--five to six times the average rate for Fund-wide program or intensive country cases.

- Two thirds of the economists in European II have travelled between 60 and 140 days over the last 12 months. (The existing guideline is a maximum of 50 days per year of official business travel).

- European II's time spent on leave, staff training, management and supervision was only 23 percent of total time in the first half of FY 1993. This was the lowest of any area department, and far below the level of 30 percent considered desirable. In addition, unpaid overtime was performed at an unhealthy rate, estimated to be some 26 percent of regular time.

In assessing the appropriate staffing level for the European II Department, the following should be considered:

- It is clear that mission activity will continue at very high levels. For program countries, quarterly reviews are considered essential for the time being. Missions are likely to total 4 to 5 per country each year, with more to Russia.

- Recent pressures have meant that some elements of the work program considered essential to the success of the Fund's efforts (including work on some interrepublican issues) have been deferred.

- There is very wide scope for additional highly productive work, far surpassing anything the Fund could conceivably meet. In these circumstances it is necessary to decide on a sensible staffing level, and adjust the work program accordingly. The aim must be to have an ambitious work program, but one that is sustainable and that does not imply a continuation of existing excessive pressures on staff. This will inevitably mean that some requests for missions and for analysis will be turned down.

After careful reflection, the Managing Director's judgment is that the headquarters staffing level for European II should be 105 staff years or 7.0 staff years per country on average. This would provide 5.1 headquarters staff years for countries other than Russia, a modest complement given the enormous tasks, and in line with the average projected for program countries or other intensive cases Fund-wide. (Resource levels for Eastern European program countries are projected to average 5.1 headquarters staff years in FY 1993.) For work on interrepublican issues as well as Russia, including all structural policy matters, however, an exceptional effort is called for. A staffing level of 33 staff years is fully justified, a doubling of the present team. Missions to Moscow will be staffed on a rotating basis, to bring down the unreasonable travel that has taken place and to allow the more active pursuit of work on structural and institutional issues. The effective integration of the results of such work into program design will remain an urgent task.

The strategy outlined above for work in FY 1994 and the medium term will be effective only if substantial resources are available to place resident experts in fiscal administration, central banking and statistics in FSU states. The proposals to achieve this are set out in Section 4b below. The provision of these resources is critical, both to ensure effective absorption of technical advice, and to lessen the burden on Fund headquarters staff to carry out work that is normally carried out by the country authorities. In this respect, the stationing of resident representatives in FSU states has already proven invaluable to the conduct of the staff's work as well as policy monitoring and delivery of technical assistance. As regards resident representative positions in the FSU states, the intention is to fill all of the 18 positions now budgeted. To facilitate the work of technical assistance, local support staff will be hired in several locations, and a dollar allocation will be provided for this purpose.

The Managing Director shares the concerns of Executive Directors that the Fund should be prepared to scale back resources devoted to the former Soviet Union, should this be necessary. At the present time it is not seen as realistic, or wise, to pursue the option of a lower effort in the states of the former Soviet Union than described above, irrespective of the exact pace of achieving financial stability. There is an enormous amount of critical work to undertake, including:

- increasing the quality of macroeconomic analysis by officials;
- continuing to assist the authorities in developing and understanding the implications of various policy options in areas such as interrepublican relations and interenterprise arrears;
- controlling financial transfers to public enterprises consistently with stabilization objectives and the privatization process;
- prioritizing technical assistance across a wide spectrum of operational needs and quickly absorbing results in program design;
- contributing to the work of consultative groups; and
- improving the statistical data base.

These and other tasks are unlikely to diminish in the foreseeable future. Care will be taken to ensure that the composition of the staffing increase is such that, if circumstances warrant, a rapid redeployment or reduction of staff could be conducted. The additional flexibility that has been accorded by the existence of a central consultant fund for work on FSU will be continued.

At this stage, no need is seen for any further change in staffing requirements for European II in FY 1995-96. However, this judgment will be reviewed each year.

(3) <u>Other Departments--29 staff years</u>

The break-up of the former Soviet Union, Czechoslovakia, and Yugoslavia into separate political units has increased sharply the demands on PDR staff to participate in program or other intensive case missions and to follow up on country developments. There is an equivalent increase in the amount of review work to be performed. Of the 20 new program/intensive cases, PDR will be required to staff 18 (assuming two cases to be inactive in the foreseeable future). At present PDR economists are assigned full time to only 8 of the 20 new countries, with 3 economists covering the remaining 10 countries. Some states are not covered at all or only on an occasional basis, and others by economists substantially assigned to countries in other regions. Seven economists and two staff assistants are required to meet the presently anticipated work load. Increases of 2 staff years for the Statistics Department and 1 staff years for the Monetary and Exchange Affairs Department are also required to assist the country mission work of European I and European II Departments.

The work of the Legal Department has also increased substantially and 2 new positions are proposed. Many of the activities of the European II Department call for legal review (including exchange reform, review of exchange systems and identification of exchange restrictions, and use of Fund resources), and this work is likely to persist over the medium term.

The demand for translation and interpretation services for the work in the former Soviet Union has proved enormous. For achieving a modicum of mutual understanding between Fund staff and officials in the FSU, it is essential for interpreter/translators to accompany many missions, and for documents to be translated both from the FSU languages to English and from English into Russian. The most efficient way of providing service and maintaining quality control is by channeling this work through BLS. Following a detailed survey of departmental needs undertaken in August 1992, and the establishment of the Fund's policy for translation to and from Russian, it is estimated that language services will require at least 25 staff years compared with the 10 staff years so far allocated directly for FSU work. Much of this increase will be provided through short-term contractual arrangements, including with interpreters and translators based in the FSU. However, assistance is also needed with the revision and quality control work and with the organizing and managing of the services to be provided.

b. <u>Country-specific work--technical assistance</u> (14 staff years)

(1) <u>Targeted staffing levels</u>.

The Executive Board approved 93 staff years for FAD, MAE, and STA for work on the states of the former Soviet Union under the FY 1992 Supplement and the FY 1993 budget. The largest part of these resources was to be used to administer or provide technical assistance, and included 14 headquarters-based consultants and 23 staff years for Fund experts in the field, made up of both long-term and short-term assignments. These resources are supplemented in FY 1993 by externally-financed expert years, largely supported by Japan (and cooperating central banks). In total, 8 resident central banking advisors, 3 resident fiscal advisors, and 3 resident statistical advisors are expected to be in place by the end of FY 1993.

The potential demand for technical assistance work in the states of the former Soviet Union and from other prospective members is far beyond the Fund's capacity to meet. On the basis of their assessment of work so far accomplished, technical assistance providing departments and European I and II Departments have together set forth a reasonable work program for FY 1994 that would allow progress toward fulfilling key objectives including the stationing of experts in these countries. It is planned to provide:

- 8 staff and expert years of assistance in FY 1994 to the new and prospective members in European I Department to assist with institution building;

- 92 staff and expert years of assistance in FY 1994 to members in European II Department of which up to 50 experts would be to meet the objective of placing an average of 3 resident advisors in each state of the FSU (dealing with budget preparation and tax administration, central banking issues, statistical issues). However, technical assistance departments believe at this stage that they would be unable to recruit and place this number as early as May 1993, and provision is therefore made for a total of 32 effective long-term expert years in FY 1994. It is estimated that this critical part of the work program would require:

  -- 15 resident experts to be set aside from the Fund's own expert budget;

  -- 15 resident experts to be provided and supervised by the Fund but for whom the Fund is reimbursed (from the Japan Administered Account and cooperating central banks); and

  -- 2 resident experts provided and financed by bilateral donors, but supervised by the Fund, which also pays for travel and some expenses.

The pace at which resident advisors can be stationed in the states of the FSU will be monitored carefully. Additional sources of external finance, including from the IBRD, will be sought in the event that absorptive capacity increases. In addition, the central consultant fund for the FSU will be used, if necessary, for this purpose.

With the supporting contributions estimated to be 8 staff years from other departments, the total technical assistance resources in FY 1994 for new and prospective members would be some 108 staff years, an increase from 82 staff years in FY 1993 excluding the input of any budget supplement. This level of assistance would be some 18 long-term expert years less than the medium-term target level.

(2) Proposed staffing increase by FY 1994

The level of resources outlined above would imply an increase of 26 staff years between the estimate for FY 1993 (excluding any possible budget supplement) and FY 1994, from all possible sources (Fund and externally financed). Given the expected Fund-wide increase in externally-financed experts by FY 1994 (19 expert years relative to the latest estimate for FY 1993), few additional Fund-financed resources will be required to provide the increase between FY 1993 and FY 1994 in actual delivery of technical assistance to new and prospective members. It should be noted, however, that pressure on the staff arises from the need to monitor and administer the activities for these experts.

In view of the rapid increase in activity in the past few years, FY 1994 should be a year of consolidation for the Fund's own contribution to the delivery of technical assistance. Additional resources are required, however, to augment the increasingly complex managerial, supervisory and support functions. In addition, the technical assistance provided in FY 1993 is in part met by redeployment of resources away from nontechnical assistance activities, including participation in some country missions. Leave is also foregone. Taking into account these additional factors, increases in FAD (2 staff years), MAE (6 staff years), and STA (5 staff years) are required urgently to bring the staffing structure of the three main technical assistance-providing departments into line with the projected delivery of FY 1994 technical assistance to the post-November 1991 members.

The Fund's role in providing technical assistance is clearly changing. In addition to the direct provision of technical assistance, the Fund is performing an increasingly catalytic and coordinating role. The Fund cooperates with other agencies and donors to improve the efficiency of technical assistance provided by the international community to the states of the former Soviet Union and Eastern Europe. This cooperation often takes place in the context of parallel financing, where the Fund undertakes part of a project while the cooperating agencies provide experts, computers, and study tours on their own account but under the guidance of or in close coordination with the Fund. This form of cooperation involves shifting part of the Fund's contribution from direct assistance with technical assistance implementation to providing help with project identification and formulation, backstopping and other support to the technical assistance paid for by other donors.

The Technical Assistance Secretariat was established in December 1991, and has already proved invaluable in helping to assess technical assistance priorities, and in coordinating the external finance for technical assistance and external training. An increase in resources of 1 staff year is warranted.

c. <u>External training</u> (3 staff years)

In FY 1993, the IMF Institute and the Joint Vienna Institute (JVI) each had 9 staff years specifically assigned for work with the post-November 1991 membership. The proposed increase of 3 staff years in the IMF Institute would alleviate the pressures being placed on that department to develop effective and timely training materials for the FSU and Eastern European countries.

The transition to Phase II of the JVI is scheduled for the second quarter of FY 1994. At this time, it is not possible to judge what resources the Fund will need to provide for the remainder of the financial year, including whether the staff resources now assigned to Vienna will continue to be required. As soon as the prospective organizational and financing arrangements for the second phase have become clear, proposals will be presented to the Board for consideration.

d. Statistics, Information, and External Liaison (5 staff years)

To make head way with the large increase in statistical data base work required to accommodate the data now being provided from the FSU states some 3 staff years are required. Further details of organizational changes in the Statistics Department are presented in the background paper.

The External Relations Department has so far absorbed the large increase in its work load related to the FSU, in part by prioritizing its activities and by the internal reallocation of staff responsibilities. However, to reach a minimum critical mass of activity in these new member countries and to prevent any further deterioration in the general level of services, 2 staff years are required. In addition to anticipated and unanticipated press and public affairs activities, including exploratory missions to several countries in the FSU and the first new public affairs seminars in the Baltic states, the involvement of the Fund in the former centrally planned economies has resulted in increased activity throughout EXR, including those related to publications, news monitoring and dissemination, and editorial and distribution services.

e. Administrative services (12 staff years)

It was acknowledged a year ago that projections for support services based on the assumption that most of the work could be absorbed by appropriate prioritization, would be tight and might not be attainable. So far, increases of 7 staff years have been directly attributed to work related to the new and prospective members. (Some 30 staff years on an annual basis were estimated to have been spent on administrative services related to the work on the FSU in the second half of FY 1992.) The proposed increases of 12 staff years will still imply substantial work intensity. In the first instance there is the recruitment and accommodation of the 354 additional staff years approved since FY 1992 or now proposed for work with the post-November 1991 membership. At the same time, the scope and nature of the work involved has become more complex, with many logistical, accounting, and administrative problems never previously encountered. Details of the proposed increases are provided in the background paper.

f. Servicing the Board of Governors, the Executive Board and their committees (2 staff years)

To help service the two new Executive Directors and the staff of their offices, a minimum increase of 2 staff years in Secretary's Department is required 1/. Further details are provide in the background paper.

1/ The staffing of the two new offices is expected to amount to a total of 18 staff years in FY 1994. This is in addition to the increase of 15 staff years approved for Executive Directors' offices in September 1992.

In sum, of the 127 staff years proposed by FY 1994 for the post-November 1991 membership, 114 staff years will be proposed in the supplement to the FY 1993 budget, and 13 staff years (7 headquarters staff and 3 resident representatives for country specific work in European I Department; and 3 staff years for administrative services) will be proposed in the FY 1994 budget. This would bring the total resources for the post-November 1991 membership approved since FY 1992 to 354 staff years (see Table 8). In the event that a scaling down of activity in the FSU would be required over the medium term (though--as is clear from this paper--such a development is not envisaged now), care will be taken to ensure that those budgeted resources assigned to FSU work which are above the indicative levels for the Fund membership as a whole are not automatically reassigned to work with the pre-November 1991 membership.

5. Staffing increase associated with new activities

The Managing Director's judgment on the medium-term outlook presented in December 1991 did not envisage any major new activities. In the context of this medium-term exercise two new activities 1/ are proposed:

- The Executive Board is due to consider the Managing Director's statement on an Evaluation Office in the Fund (Buff/92/141, 12/8/92) and the report of the task force on an Evaluation Office. Board Discussion is scheduled for January 22, 1993. If Directors were to agree to the Managing Director's proposals, authorization would be sought in the FY 1994 budget for 11 additional staff years for the new office. Most of this increase would be devoted to strengthening the policy development, research and evaluation activity category.

- To facilitate optimal utilization of the generous financing the Japanese authorities are making available to the Fund for technical assistance and external training activities, a strengthening of coordination and liaison work is being considered. Two staff years would be added to the Technical Assistance Secretariat to carry out this work, which may require the Fund to have a full-time presence in Tokyo.

6. Staffing levels for FY 1994 by department

The departmental staffing levels for FY 1993 and FY 1994 implied by the changes proposed in Sections 3 to 5 above are shown in Table 4.

1/ The establishment of an Administrative Tribunal would involve some slight increase in expenses, but no additional resources are expected to be required.

Table 4. Budgeted Staff Years by Organizational Unit, FY 1991-FY 1994 1/

(In staff years)

	FY 1991 Revised Budget	FY 1992 Approved Budget	FY 1992 Suppl. Budget	FY 1993 Approved Budget 2/	FY 1993 Proposed Suppl. Budget	FY 1994 Proposed Budget
Area Department						
African Department	156.7	169.6	170.6	170.6	170.6	178.6
Asian Department	80.6	84.1	...	...	...	...
Central Asian Department	...	...	46.1	52.9	52.9	55.9
Southeast Asia & Pacific Department	...	...	46.0	46.9	46.9	51.9
European Department	106.3	114.6	161.6	...	...	...
European I Department	...	...	...	106.9	121.9	129.9
European II Department	...	...	...	67.9	104.9	104.9
Middle Eastern Department	49.4	51.4	51.4	62.4	62.4	69.4
Western Hemisphere Department	119.4	125.7	125.7	132.9	132.9	138.9
Resident Representatives	38.0	43.0	51.0	63.0	63.0	69.0
Subtotal	550.4	588.4	652.4	703.5	755.5	798.5
Functional & Special Service Departments						
Fiscal Affairs Department	127.2	130.9	157.9	163.9	165.9	167.9
of which: Fund experts in the field	(22.0)	(17.0)	(21.0)	(22.0)	(22.0)	(22.0)
IMF Institute	69.2	69.2	81.2	78.7	81.7	82.7
Joint Vienna Institute	...	...	...	8.6	8.6	8.6
Legal Department	42.9	43.9	48.9	51.1	53.1	55.1
Monetary and Exchange Affairs Department	112.6	109.2	142.2	165.5	172.5	172.5
of which: Fund experts in the field	(70.0)	(57.0)	(65.0)	(67.0)	(67.0)	(67.0)
Policy Development and Review Department	113.8	124.1	142.1	150.3	159.3	162.3
Research Department	100.9	100.9	96.9	98.5	98.5	99.5
Statistics Department	125.0	126.0	137.0	145.2	155.2	155.2
Treasurer's Department	152.4	152.4	152.4	157.7	157.7	157.7
Subtotal	846.0	856.6	958.6	1,019.5	1,052.5	1,061.5
Area, Functional & Special Service Departments Total	1,396.4	1,445.0	1,611.0	1,723.0	1,808.0	1,860.0
Information, Liaison & Support Departments						
Administration Department	278.7	277.6	279.6	280.9	288.9	288.9
External Relations Department	69.7	69.6	67.6	66.9	68.9	68.9
Secretary's Department	115.8	113.1	113.1	111.9	114.9	114.9
Bureau of Computing Services	171.1	168.8	168.8	161.8	161.8	152.8
Bureau of Language Services	104.3	104.3	106.3	112.1	127.0	127.0
Office of Internal Audit & Review	10.9	10.9	10.9	12.4	12.4	12.4
Investment Office	4.2	4.2	4.2	4.2	4.2	4.2
Office in Europe	14.9	14.6	14.6	13.8	13.8	13.8
Office in Geneva	6.7	6.7	6.7	6.7	6.7	6.7
Office of Budget & Planning	13.1	14.2	15.2	15.3	15.3	17.3
Subtotal	787.4	784.0	787.0	786.0	813.9	806.9
Office of Managing Director	13.7	15.0	17.0	18.0	18.0	17.0
Technical Assistance Secretariat	...	...	3.0	3.1	4.1	6.1
Evaluation Office	...	...	...	...	...	11.0
Other 3/	33.1	42.9	42.9	42.9	42.9	47.9
Total 4/	2,230.6	2,286.9	2,460.9	2,573.0	2,686.9	2,748.9
Memorandum Item:						
Executive Directors and offices	197.2	197.5	196.5	199.0	222.0	232.0
Externally-financed experts	17.8	37.5	45.5	50.0	68.8	87.6

1/ Excludes summer interns, special appointees, Executive Directors and their staff, and externally financed experts.

2/ Includes the increase of 6.3 staff years in connection with the Joint Vienna Institute approved at EBM/92/97 (7/29/92), and interdepartmental transfers effected during FY 1993, involving 9 departments.

3/ Includes temporary contractuals replacing staff on sick, maternity, sabbatical leave not distributed to departments, staff on Temporary Assignment Program, and contractual staff associated with Annual Meetings and meetings of the Interim and Development Committees.

4/ Table 9 provides a detailed explanation of the relation between this figure and total effective staff years.

7. Summary of prospects for FY 1995-96

The implications of the proposed changes in FY 1993 and FY 1994, and the preliminary outlook for FY 1995-96, as described for each activity category above, are summarized in Tables 1, 8, and 9. With the relatively small increase in budgeted staff years of 35, and a small reduction in vacancies, effective resources would increase by 51 staff years (1.7 percent) in FY 1995-96. The following points should be noted.

- The estimates reflect only those changes specifically noted above, and therefore represent a tentative judgment on the appropriate size and structure of the Fund in FY 1995-96. After the large increases associated with the expansion of membership, as well as the attempts to redress the resource imbalances, FY 1995-96 would be years of overall consolidation.

- The resource imbalances associated with country-specific work with the pre-November 1991 membership should have been eased with the additional 19 staff years held over from FY 1994. However, this assumes no increase in program or intensive cases (from the projections in this paper for FY 1995-96), nor substantially increased work with existing surveillance-only countries. Moreover, for all countries, the possibilities for increasing desk work have not been allowed for.

- The share of country-specific work as a proportion of the total resources would be maintained, as the area departments in total are brought to the medium-term staffing levels now regarded as appropriate. Further progress would be made in achieving personnel and management objectives.

- For new members, a small increase might be justified for European I Department as noted earlier. No further staffing increase for European II Department is envisaged at this time. Technical assistance to the former Soviet Union could increase by some 18 staff years if the objective for placement of long-term experts were achieved in full in FY 1995-96. The move to Phase II of the Joint Vienna Institute should release some staff years from the Fund, though the dollar implications are unclear at this stage.

- Further staff reductions in administrative and other support services should be possible in FY 1995-96, as a result of continued automation, vendorization of some services, and decline from the peak work on recruitment. Staff training and development, however, will remain a priority. To the extent that savings are made, and pending the outcome of the review of the Paris and Geneva offices, some scope should exist to provide modest increases for systemic work and other policy issues. For all parts of the Fund, however, it will be essential to put in place mechanisms that ensure that a relatively unchanged workforce is not subjected to increases in work load at the expense of the personnel and management objectives that have been set out and provided for in the past two years.

8. Dollar costs

Total administrative expenses for FY 1994 are tentatively projected to be of the order of $461.9 million. This would represent an increase of $57.8 million (14.3 percent) above the outturn estimated for FY 1993. Most of the increase would be due to the full-year impact of the supplementary staff increase that is being requested for FY 1993 and to the staff increase proposed for FY 1994. Other expenses will need to rise to support the growth in the size of the Fund. The projection allows for a moderate increase in staff salaries effective May 1, 1993, a rise in the Fund's contributions to the Staff Retirement Plan, requirements for additional leased space, the opening of additional resident representative posts, and a small increase in the general level of prices. Table 5 summarizes administrative expenses, reimbursements and other revenue, and capital expenditures in the period FY 1990-96.

Table 5. Administrative and Capital Budgets, FY 1990-FY 1996

(In millions of U.S. dollars)

	FY 1990 Actual	FY 1991 Actual	FY 1992 Actual	FY 1993 Approved Budget 1/	FY 1993 Budget Suppl.	FY 1994 Projected Budget	FY 1995-96 (average) Projection
Administrative expenses	269.7	291.9	355.1	406.0	425.9	483.8	537.0
Less: reimbursements and other revenue 2/	-9.8	-13.1	-17.0	-17.4	-21.8	-21.9	-24.1
Administrative budget	259.9	278.9	338.1	388.6	404.1	461.9	512.9
Capital expenditures 3/	18.8	7.6	8.9	30.6	26.6	37.8	18.5
Total	278.7	286.5	347.0	419.2	430.7	499.7	531.4

1/ As amended by the Supplement for the Joint Vienna Institute approved at EBM 92/97 (7/29/92).
2/ Includes reimbursements under the IBRD cost-sharing arrangements, publications income, country contributions toward the cost of expert services, and reimbursements for projects executed on behalf of the UNDP and the Japan Administered Account. Reimbursements exclude the expenses of the SDR Department and the Special Disbursement Account.
3/ Disbursements from multiyear Capital Project Budgets approved since FY 1988. Excludes projected disbursements for the construction of Phase III, or similar large project.

9. Projections of the medium-term Capital Budget

This section summarizes the supplementary increase proposed for Capital Budget for FY 1993, and the outlook for the capital budget for FY 1994 and over the next five years. Importantly, there is no discussion in this document of the need for the acquisition and/or construction of more office space, and of the large disbursements that would be involved.

a. FY 1993 Supplementary Funding

A supplementary increase of $9.7 million is proposed for midyear FY 1993. The increase provides $3.7 million for fitting-out leased space at 2121 K Street, relocating part of the Bureau of Computing Services to that leased space, and providing the necessary electronic data processing (EDP) equipment. A further $6 million is proposed for fitting-out new leased space required to house proposed staffing increases, relocating personnel and equipment to that space, EDP equipment for the new staff, and renovating the vacated space at headquarters.

b. FY 1994 Budget

The capital budget proposal for FY 1994 is estimated to cost $17.3 million. Included in this estimate is $3.5 million in additional funding for fitting-out leased office space required to house proposed staffing increases, and for renovating vacated space at headquarters. Another $6.2 million is proposed (including $0.5 million for contingencies) for replacing, repairing, or upgrading building facilities that have deteriorated with age and reached the end of their useful life. Included in this estimate are projects for Print Shop improvements, electrical upgrades, automated building control systems, waterproofing and restoring the exterior surface of the headquarters building, replacement of cafeteria cash registers, Concordia improvements, and Bretton Woods Recreation Center improvements.

The other major component of the FY 1994 capital budget is the purchase of EDP equipment. An estimated $7.6 million is needed for replacing old microcomputers and other EDP equipment, for new equipment and network expansion in connection with the proposed staffing increase, and for EDP equipment for resident representative posts and offices.

In addition to the estimates described above, a number of projects are under consideration or review. For example, a paper will be issued on alternative plans for meeting the Fund's long term office space needs. These plans could involve the construction of Phase III or the purchase or lease of another office building. Other projects currently under review include, for example, equipment for electronic printing and sharing of documents.

c. FY 1995 and Beyond

Although precise estimates for the FY 1995 and later Capital Budgets are not yet available, the preparation of five-year building and equipment plans prepared by the Administration Department and the Bureau of Computing Services have provided some guidance on what projects are likely to need funding in the medium term. Following the development of an initial plan last year, a more comprehensive EDP capital plan has been prepared during FY 1993 and this has been supplemented by a detailed plan for future building facility upgrades and renovations. During the next year or two, these plans will be constantly reviewed and updated and will form the basis of the Capital Budgets to be presented to the Executive Board in future years.

Drawing on the information contained in the existing plans, Table 6 summarizes the estimates for Capital Budget proposals for the next five years.

Table 6. Capital Budget Estimates, FY 1993-FY 1998

(In millions of U.S. dollars)

Budget Category	FY 1993 Proposed Supplement	FY 1994 Proposed Funding	Capital Budget Estimates			
			FY 1995	FY 1996	FY 1997	FY 1998
Headquarters	1.8	6.8	9	10	3	1
Other Locations	6.3	2.9	1	1	1	1
EDP Equipment	1.6	7.6	6	10	5	7
Total	9.7	17.3	16	21	9	9

1/ Does not include estimates for projects under review, e.g., Phase III, construction or the purchase or lease of other buildings.

During the next five years, a number of capital projects will be proposed for replacing or upgrading old and failing building and EDP systems. During the period FY 1995-FY 1996, it is estimated approximately $19 million will be needed at headquarters for replacements or upgrades to heating, cooling, ventilation, plumbing, and security systems. Another $4 million is estimated to be needed in FY 1997-FY 1998. At other locations, i.e., the Concordia/Bond apartment complex, International Square, or 2121 K Street, it is estimated that approximately $4 million will be needed over the period FY 1995-FY 1998.

Capital EDP projects are proposed for bulk purchases of EDP equipment. This equipment replaces old systems and provides computers, network, and other EDP equipment for new staff and new automation development projects. The cost of this equipment plan is estimated to fluctuate between $5-10 million per year over the next five years. Approximately half of the annual cost is for replacing microcomputers that have reached the end of their useful life.

The actual and estimated expenditures for the FY 1998-FY 1996 Capital Budgets is shown in Table 7.

Table 7. Capital Expenditures and Estimates, FY 1988-FY 1998

(In millions of U.S. dollars)

	Total Budget	Actual Expenditures FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	Estimated Expenditures 1/ FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
FY 1988	8.8	5.5	1.4	0.7	0.1	0.1	--	--	--	--	--	--
FY 1989	34.0	--	1.5	17.4	1.9	1.8	5.5	5.3	0.6	--	--	--
FY 1990	8.0	--	--	0.7	3.7	1.1	0.1	--	--	--	--	--
FY 1991	5.7	--	--	--	1.9	1.6	1.9	0.3	--	--	--	--
FY 1992	28.1	--	--	--	--	4.3	10.0	11.7	1.9	--	--	--
FY 1993	7.5	--	--	--	--	--	6.4	1.1	--	--	--	--
FY 1993Suppl.	9.7	--	--	--	--	--	2.7	7.0	--	--	--	--
FY 1994	17.3	--	--	--	--	--	--	12.4	4.1	0.8	--	--
FY 1995 2/	16.0	--	--	--	--	--	--	--	9.0	5.0	2.0	--
FY 1996 2/	21.0	--	--	--	--	--	--	--	--	12.0	6.0	3.0
FY 1997-98 2/	18.2	--	--	--	--	--	--	--	--	--	9.3	8.9
Total	174.3	5.5	2.9	18.8	7.6	8.9	26.6	37.8	15.6	17.8	17.3	11.9

1/ These expenditure estimates are based on project scheduling assumptions that, in some instances, are tentative. Excludes estimates for projects under review, e.g., Phase III construction or the purchase or lease of other buildings.
2/ Budget and expenditure estimates are based on five year plans that will be reviewed as specific project proposals are developed and evaluated.

d. Development of EDP Technology

The development and use of EDP technology in the Fund will have crossed a major threshold by the end of FY 1993 in that all departments and Executive Directors' offices will be connected to the Fund's network. The network is improving the productivity of staff and Executive Directors with capabilities such as Fund-wide E-mail. The extensive and increasing use of E-mail in the daily work of the institution has introduced a more efficient (albeit informal) communications medium, which includes the capability to transfer certain documents and data. For example, individual country data for the WEO are now forwarded to the Research Department using E-mail. In many instances, comments by departments on operational papers are now transmitted electronically, and E-mail communications and document exchange with the World Bank have been established. External information services are also being made available to all staff via the network and a Fund-wide data server is being established to electronically access IMF, OECD and World Bank economic data. In addition, EDP support services such as software upgrades, virus protection, and problem diagnosis are now performed centrally by the Bureau of Computing Services using the network. These productivity enhancements, however, represent only a first step toward full utilization of the network infrastructure to increase both the productivity and the quality of work performed by the Fund. The second stage requires that work practices and habits of the institution adjust so that the technology is used in the most effective manner.

The opportunity now exists to examine the way in which the Fund manages, handles, transmits and stores documents and, within that context, data. Accordingly, the focus in FY 1994 and beyond will be on streamlining procedures through an expansion in the electronic sharing, storage, retrieval, and printing of documents and data. During FY 1994, E-mail exchange and remote access to the Fund's network will also be made available for implementation at field offices, mission sites and other locations internationally. Administration and Treasurer's Departments, with the help of the Bureau of Computing Services are designing and implementing the new payroll/personnel system. The Administration Department is investigating electronic printing technology to replace older equipment, and the Secretary's Department, in collaboration with the Bureau of Computing Services, is examining other aspects of the document management process in the Fund. In addition, management will be requesting that all departments take full advantage of the new electronic document technology by streamlining paper based processes. For example, departmental work programs and other documents could be stored on the network and accessed electronically. The Bureau of Computing Services, in collaboration with the Statistics Department, will also investigate opportunities for utilizing the Fund's microcomputer-based network to transfer the Economic Information System (EIS) from the Bank's mainframe computer.

These and other changes in procedures will require some flexibility on the part of departments to reorganize and redesign paper based processes in order to take advantage of new capabilities. In some instances, using electronic network technology may decrease the need for centralized control of paper based documents and data, while increasing the accessibility and efficiency of transmission of the corresponding electronic files both intra- and inter-departmentally. Overall, it is expected that the increased use of the network will cause departments, including area departments, to focus greater efforts on data management. There will also be a need to address security access issues, document management and data standards, authorization and clearance procedures, and archival and retrieval procedures.

V. Zero-Growth Scenario

In connection with the discussion of the budget for FY 1992, it was agreed that the annual medium-term budget outlook exercise would involve "a programmatic discussion of budget priorities by work activity for the subsequent year and beyond, including exploration of implications of zero growth" (The Fund's Administrative Budget Process, EBAP/91/196, 7/29/91). In last year's medium-term exercise, the implications of adopting a zero-growth scenario were examined (EBAP/91/277, 11/21/91, pages 31-33). The conclusions reached at that time remain applicable. In particular, because the work load related to new members has again increased significantly, no growth in resources relative to the approved FY 1993 budget would mean very difficult issues concerning uniformity of treatment of members, including prospective members. Though theoretically feasible, such a scenario would not serve a useful or equitable purpose in the circumstances. Moreover, given the adverse reaction of Executive Directors to meeting immediate demand for work on the FSU by the temporary modifications to surveillance activity in November 1991, it seems unlikely that a full-fledged zero-growth scenario would receive general support.

For these reasons, and consistent with the methodology used last year, the definition of "zero-growth" should be adjusted for the work on new members and activities, relative to the original estimates for FY 1993. To accomplish this adjustment, zero-growth (adjusted for membership change) is defined as no change in budgeted staff resources in FY 1994 and subsequent years devoted to work with the membership as at end-October 1991. Thus, after excluding increases to discharge the work with new and prospective members and for new activities, activity cuts equivalent to 64 staff years (55 budgeted staff years, plus 9 to reflect the reduction in staffing through vendorization) would be required in FY 1994 and FY 1995-96 for work *with the pre-November 1991 membership (see Table 8). Efforts to achieve* reductions of this order through a series of additional small adjustments in the output and staffing of most departments would be counterproductive to the effectiveness of the institution. This approach is contrary to the Managing Director's strategy which is to pursue efficiency gains wherever feasible, while at the same time not cutting corners on resources that are required to be devoted to personnel and management objectives. A somewhat less disruptive approach, but one that the Managing Director also opposes because it would be divisive and damaging to morale, would be to reduce or eliminate activities involving more substantial outputs.

Last year's medium-term outlook considered some options which would have contributed to a saving of some 30 staff years. The options included reductions in translation services, in the work of the Statistics Department, in the scope of bilateral and multilateral surveillance, and in external liaison activities. To achieve the larger reduction indicated under the zero-growth (adjusted) scenario for FY 1994 and FY 1995-96, more substantive cuts would need to be considered. For example:

(i) <u>Cease all translation of non-statistical publications</u>

All non-English editions of all non-statistical publications would be eliminated, including the <u>Annual Report</u>, <u>The World Economic Outlook</u>, and <u>The IMF Survey</u>. It is estimated that the savings achieved would amount to some 30 staff years, of which approximately 20 would be in the Bureau of Language Services and the remainder in the External Relations Department.

(ii) <u>Cease production of all statistical publications</u>

This would involve eliminating, inter alia, <u>International Financial Statistics</u>, <u>Balance of Payments Statistics</u>, <u>Direction of Trade Statistics</u>, and <u>Government Finance Statistics</u>. It is estimated that the savings would be equivalent to about 13.5 staff years. This would be offset by loss of revenue of $1.9 million.

(iii) Reducing technical assistance and external training

A variety of actions could be taken to curtail technical assistance activity for the pre-November 1991 membership. For example, assignment of long-term resident experts to pre-November 1991 member countries could be reduced or even eliminated. The savings would amount to at least 40 staff years. Another possibility might be to reduce the number of courses provided by the IMF Institute. Elimination of one standard ten-week course at headquarters would save approximately 2.5 staff years. Alternatively, a rationing approach could be taken by setting a reduced ceiling for total resources for technical assistance and allocating them on a pro-rated basis. Reductions in technical assistance would weaken the effectiveness of program design and its implementation.

(iv) Reduction in bilateral surveillance

To achieve a zero-growth objective of a reduction of 64 staff years would require eliminating approximately one third of all staff allocated to working with surveillance-only countries. For example, countries not requesting use of Fund resources could be restricted to a consultation every three or four years. This would require that contacts and staff visits, and desk work assignments in the intervening years were minimized or abandoned. Changes in Executive Board policies and practices, for example, would not in themselves be sufficient. Another possibility would be to accept that for certain groups of countries, the Fund would no longer conduct surveillance. If Directors were interested in pursuing such possibilities, a suitable opportunity to discuss them would be at the forthcoming surveillance review. Such a reduction would be inconsistent with the present responsibilities of the Fund.

Table 8. Projections of Increases in Staff Resources, FY 1992-FY 1996

(In staff years)

	[1] Approved Increase in FY 1992 Budget	[2] Approved Increase in FY 1992 Suppl. Budget	[3] Approved Increase in FY 1993 Budget	[4] Proposed Increase in FY 1993 Budget Suppl.	[5] Projected Increase in FY 1994 Budget	[6] Total Increase Between FY 1991 and FY 1994 (sum of 1 to 5)	[7] Tentative Projection of Increase in FY 1995 and FY 1996
1. February 1991 Medium-Term Outlook; and FY 1992 Budget (EBS/91/25)	56		144			200	
2. December 1991 Medium-Term Outlook; and FY 1992 Budget Supplement (EBS/91/277)							
a. Pre-November 1991 membership	56	19		104		179	
b. Post-November 1991 membership	--	155	--	--	--	155	
c. Total budgeted staff years 1/	56	174		104		334	
3. FY 1993 Budget Exercise (EBS/92/68)							
a. Pre-November 1991 membership	56	19	40	--	64	179	
b. Post-November 1991 membership	--	155	66	--	--	221	
c. Total budgeted staff years	56	174	106	--	64	400	
4. Present Medium-Term Outlook, and FY 1993 Supplement							
a. Pre-November 1991 membership	56	19	40	--	36 3/	151	19
b. Post-November 1991 membership	--	155	72 2/	114	13	354	16
c. New activities: Evaluation Office, TAS	--	--	--	--	13	13	--
d. Total budgeted staff years	56	174	112 2/	114	62	518	35
Memorandum Items:							
5. Adjustment from part to full year basis	--	-107	107	-81	81	--	--
6. Other resources	10	-52	91 5/	-17	59	91	16
a. Executive Board and offices	1	-1	25 4/	--	10 4/	35	--
b. Externally financed technical assistance	19	3	29	--	19	70	--
c. Decline in vacancies, and other	-10	-54	37	-17	30	-14	16
7. Total effective staff years (Budgeted resources [line 4d], adjustment [line 5], and other resources [line 6])	66	15	310	16	202	609	51

Note: Shaded areas illustrate projections beyond immediate budget proposal.

1/ *In December 1991, Executive Directors took note of the Managing Director's judgment that some 280 staff years were* required by FY 1994 from the level initially budgeted for FY 1992 to attain the medium-term objectives. The projection referred to, of 278 staff years, is shown in Columns 2 to 5.

2/ Includes the supplementary appropriation of 6 staff years for work with the Joint Vienna Institute (JVI) approved at EBM/92/97 (7/29/92).

3/ This figure is 28 staff years below that originally intended for FY 1994. Since activities requiring 9 budgeted staff years are to be provided by vendors, the request for budgeted staff years is lowered by this amount. In addition, 19 staff years intended for the area departments are held over to FY 1995.

4/ The full-year effect of two new Executive Directors' offices, and an increase in staffing for existing offices is spread over two years.

5/ Based on December 1992 estimates.

Table 9. Estimated Allocation of Staff Resources for FY 1991 to FY 1996

(In staff years)

Activity	FY 1991 Estimated Outturn 1/	FY 1992 Est. Before Increase in Work on FSU 1/	FY 1992 Estimated Outturn	FY 1993 Projection (3/92) 1/	FY 1993 Revised Projection Before Supplement	FY 1993 Estimate Including Supplement	FY 1994 Projection (12/92)	FY 1994-95 (average) Projection (11/91) 1/	FY 1995-96 (average) Projection (12/92)
1. Country-specific work	724	773	815	937	975	985	1,070	959	1,094
(i) Pre-November 1991 members	714	760	741	775	798	798	825	827	827
(a) Surveillance and program work	(525)	(570)	(571)	(589)	(594)	(594)	(623)	(600)	(625)
- Surveillance-only cases	/135/	/136/	/115/	/119/	/111/	/111/	/110/	/151/	/126/
- Program/intensive cases	/390/	/434/	/456/	/470/	/483/	/483/	/513/	/449/	/499/
(b) Technical assistance	(189)	(191)	(170)	(186)	(204)	(204)	(202)	(226)	(202)
(ii) Post-November 1991 members 2/	10	12	74	162	177	187	245	133	267
(a) Surveillance and program work	(9)	(9)	(44)	(80)	(95)	(102)	(137)	(76)	(141)
(b) Technical assistance	(1)	(3)	(30)	(82)	(82)	(85)	(108)	(57)	(126)
2. Policy development, research, evaluation	245	241	249	255	259	260	272	238	272
of which: World Economic Outlook 3/	(42)	(42)	(...)	(...)	(...)	(...)	(...)	(41)	(...)
3. Statistics, information, external liaison	169	169	157	173	151	151	154	159	154
4. Administrative services 3/	364	367	366	384	401	401	412	355	412
5. Servicing the Board of Governors, the Executive Board and their committees	283	278	266	265	275	276	285	275	285
of which: Staff support services 3/	(86)	(83)	(70)	(68)	(53)	(54)	(53)	(80)	(53)
6. External training	64	69	62	77	79	79	78	79	76
7. Supervision and management; staff training and development	169	185	183	213	238	241	274	222	276
8. Paid leave and holidays	353	355	354	382	384	385	435	427	462
9. Total effective staff years (items 1 to 8) 4/	2,371	2,437	2,452	2,686	2,762	2,778	2,980	2,715	3,031
Memorandum Items:									
Reconciliation between budgeted staff years and effective staff years									
Budgeted staff years (end of year) 5/	2,231	2,287	2,461	2,567	2,573	2,687	2,749	...	2,784
Contractual staff working on capital projects	--	2	2	2	2	2	2		2
Externally financed experts	18	37	40	50	69	69	88	...	88
Executive Directors & their staffs	197	198	197	199	222	222	232	...	232
Total budgeted staff years and other resources 4/	2,446	2,524	2,700	2,818	2,866	2,980	3,071	...	3,106
Less:									
Adjustment from part to full year basis	...	...	-107	--	--	-81	--	...	...
Unused budgeted resources & net vacancies	-75	-87	-141	-132	-104	-121	-91	...	-75
Staff years allocated by activity (line 9)	2,371	2,437	2,452	2,686	2,762	2,778	2,980	2,715	3,031
Total technical assistance	190	194	200	268	286	290	310	289	328

1/ Estimates have been revised since presented in EBAP/92/68 (3/25/92) to include estimates of paid overtime and temporary staff charged against Fund-wide pools.

2/ Twenty-four new and prospective members: the 15 states of the former Soviet Union (accounting for most of this category), the Marshall Islands, Micronesia, San Marino, Slovakia, Switzerland, and the four new countries that result from the dissolution of Yugoslavia.

3/ The net effect of classification changes between FY 1991 and FY 1993 is estimated, inter alia, to have added in the order of 5 staff years to policy, research, evaluation and 20 staff years to administrative services: and to have subtracted 25 staff years from servicing the Board of Governors, Executive Board offices and their committees.

4/ Including Executive Directors and their staffs, as well as externally financed experts and contractual staff working on capital projects. Excludes summer interns and special appointees.

5/ Incorporating supplementary appropriations. Excluding Executive Directors and their staffs, as well as externally financed experts and contractual staff working on capital projects. (The figure for FY 1993 is shown in Table 4, and included in the budget decision.)

Table 10. Basic Determinants of Country-Specific Work Activity

(Number of countries) 1/

	FY 1981-90 (average) Actual	FY 1991 Actual	FY 1992 Proj. (EBAP/ 91/277)	FY 1992 Actual	FY 1993 Proj. (EBAP/ 91/277)	FY 1993 Revised	FY 1994 Proj.	FY 1994-95 (average) Projection (EBAP/91/ 277)	FY 1 (ave Proj
1. Countries now covered by AFR 2/									
Fund members, end of year	41	43	43	43	43	43	43	43	43
Other Article IV cases 3/	--	--	--	--	--	--	--	--	--
Other countries with Fund involvement	--	--	--	--	--	--	--	--	--
Total	41	43	43	43	43	43	43	43	43
By type of consultation cycle:									
12 month	...	38	38	37	38	38	38	38	38
bicycle	...	5	5	2	5	5	5	5	5
18/24 month cycle	...	--	--	4	--	--	--	--	--
By work intensity classification:									
Surveillance-only countries	16	9	8	8	7	6	5	11	6
Program/Intensive cases	25	34	35	35	36	37	38	32	37
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(21)	(27)	(29)	(31)	(...)	(26)	(...)	(...)	( )
Other intensive cases	(4)	(7)	(6)	(4)	(...)	(11)	(...)	(...)	( )
Protracted arrears 5/	[1]	[4]	[2]	[2]	[...]	[2]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year 6/	...	--	--	--	--	--	--	--	--
2. Countries now covered by CTA									
Fund members, end of year	11	11	11	11	11	11	11	11	11
Other Article IV cases 3/	--	1	1	1	1	1	1	1	1
Other countries with Fund involvement	--	--	--	--	--	--	--	--	--
Total	11	12	12	12	12	12	12	12	12
By type of consultation cycle:									
12 month	...	10	10	7	11	11	11	11	11
bicycle	...	2	2	4	1	1	1	1	1
18/24 month cycle	...	--	--	1	--	--	--	--	--
By work intensity classification:									
Surveillance-only countries	6	7	8	6	7	6	4	5	4
Program/Intensive cases	5	5	4	6	5	6	8	7	8
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(4)	(4)	(3)	(3)	(...)	(4)	(...)	(...)	( )
Other intensive cases	(1)	(1)	(1)	(3)	(...)	(2)	(...)	(...)	( )
Protracted arrears 5/	[1]	[1]	[1]	[2]	[...]	[2]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	...	--	--	--	--	--	--	--	--

Table 10 (continued). Basic Determinants of Country-Specific Work Activity

(Number of countries) 1/

	FY 1981-90 (average)	FY 1991	FY 1992		FY 1993		FY 1994	FY 1994-95 (average)	FY 1 (ave
	Actual	Actual	Proj. (EBAP/ 91/277)	Actual	Proj. (EBAP/ 91/277)	Revised	Proj.	Projection (EBAP/91/ 277)	Proj
3. Countries now covered by EU1 2/									
Fund members, end of year	24	27	28	28	29	31	35	29	35
Other Article IV cases 3/	1	2	2	2	2	2	2	2	2
Other countries with Fund involvement	1	2	1	1	--	4	--	--	--
Total	26	31	31	31	31	37	37	31	37
By type of consultation cycle:									
12 month	...	16	17	10	18	19	23	18	23
bicycle	...	9	9	7	9	9	9	9	9
18/24 month cycle	...	4	4	13	4	5	5	4	5
By work intensity classification:									
Surveillance-only countries	23	24	24	23	24	25	23	24	25
Program/Intensive cases	3	7	7	8	7	12	14	7	12
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(2)	(6)	(6)	(7)	(...)	(6)	(...)	(...)	( )
Other intensive cases	(1)	(1)	(1)	(1)	(...)	(6)	(...)	(...)	( )
Protracted arrears	[--]	[--]	[--]	[--]	[...]	[--]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	...	2	1	4	--	4	--	--	--
4. Countries now covered by EU2									
Fund members, end of year	--	--	--	1	4	15	15	4	15
Other Article IV cases 3/	--	--	1	--	--	--	--	--	--
Other countries with Fund involvement	--	1	--	14	--	--	--	--	--
Total	--	1	1	15	4	15	15	4	15
By type of consultation cycle:									
12 month	--	--	1	1	4	15	15	4	15
bicycle	--	--	--	--	--	--	--	--	--
18/24 month cycle	--	--	--	--	--	--	--	--	--
By work intensity classification:									
Surveillance-only countries	--	1	--	--	--	--	--	--	--
Program/Intensive cases	--	--	1	15	4	15	15	4	15
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(--)	(--)	(--)	(--)	(...)	(4)	(...)	(...)	( )
Other intensive cases	(--)	(--)	(1)	(15)	(...)	(11)	(...)	(...)	( )
Protracted arrears	[--]	[--]	[--]	[--]	[...]	[--]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	--	--	4	14	--	--	--	--	--

Table 10 (continued). Basic Determinants of Country-Specific Work Activity

(Number of countries) 1/

	FY 1981-90 (average)	FY 1991	FY 1992		FY 1993		FY 1994	FY 1994-95 (average)	FY 1 (ave
	Actual	Actual	Proj. (EBAP/ 91/277)	Actual	Proj. (EBAP/ 91/277)	Revised	Proj.	Projection (EBAP/91/ 277)	Proj
5. Countries now covered by MED 2/									
Fund members, end of year	24	23	23	23	23	23	23	23	23
Other Article IV cases 3/	--	--	--	--	--	--	--	--	--
Other countries with Fund involvement	--	--	--	--	--	--	--	--	--
Total	24	23	23	23	23	23	23	23	23
By type of consultation cycle:									
12 month	...	15	15	10	15	15	15	15	15
bicycle	...	5	5	6	5	5	5	5	5
18/24 month cycle	...	3	3	7	3	3	3	3	3
By work intensity classification:									
Surveillance-only countries	17	13	13	13	12	12	13	12	12
Program/Intensive cases	7	10	10	10	11	11	10	11	11
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(5)	(6)	(5)	(7)	(...)	(6)	(...)	(...)	( )
Other intensive cases	(2)	(4)	(5)	(3)	(...)	(5)	(...)	(...)	( )
Protracted arrears 5/	[--]	[2]	[2]	[2]	[...]	[2]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	...	--	--	--	--	--	--	--	--
6. Countries now covered by SEA									
Fund members, end of year	15	17	17	17	19	19	19	19	19
Other Article IV cases 3/	--	--	--	--	--	--	--	--	--
Other countries with Fund involvement	--	--	--	2	--	--	--	--	--
Total	15	17	17	19	19	19	19	19	19
By type of consultation cycle:									
12 month	...	8	7	4	7	7	7	7	7
bicycle	...	9	10	4	12	12	12	12	12
18/24 month cycle	...	--	--	9	--	--	--	--	--
By work intensity classification:									
Surveillance-only countries	11	14	13	14	15	14	14	15	14
Program/Intensive cases	4	3	4	5	4	5	5	4	5
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(4)	(3)	(4)	(4)	(...)	(4)	(...)	(...)	( )
Other intensive cases	(--)	(--)	(--)	(1)	(...)	(1)	(...)	(...)	( )
Protracted arrears	[--]	[--]	[--]	[--]	[...]	[--]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	...	--	2	2	--	--	--	--	--

Table 10 (concluded). Basic Determinants of Country-Specific Work Activity

(Number of countries) 1/

	FY 1981-90 (average)	FY 1991	FY 1992		FY 1993		FY 1994	FY 1994-95 (average)	FY 1 (ave
	Actual	Actual	Proj. (EBAP/ 91/277)	Actual	Proj. (EBAP/ 91/277)	Revised	Proj.	Projection (EBAP/91/ 277)	Proj
7. Countries covered by WHD									
Fund members, end of year	33	34	34	34	34	34	34	34	34
Other Article IV cases 3/	--	--	--	--	--	--	--	--	--
Other countries with Fund involvement	--	--	--	--	--	--	--	--	--
Total	33	34	34	34	34	34	34	34	34
By type of consultation cycle:									
12 month	...	28	28	24	28	29	29	28	29
bicycle	...	2	2	5	2	1	1	2	1
18/24 month cycle	...	4	4	5	4	4	4	4	4
By work intensity classification:									
Surveillance-only countries	15	13	11	11	11	10	8	14	11
Program/Intensive cases	18	21	23	23	23	24	26	20	23
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(14)	(14)	(12)	(17)	(...)	(18)	(...)	(...)	( )
Other intensive cases	(4)	(7)	(11)	(6)	(...)	(6)	(...)	(...)	( )
Protracted arrears 5/	[2]	[2]	[2]	[--]	[...]	[--]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	...	--	--	--	--	--	--	--	--
8. TOTAL									
Fund members, end of year	148	155	156	157	163	176	180	163	180
Other Article IV cases 3/	1	3	4	3	3	3	3	3	3
Other countries with Fund involvement	1	3	1	17	--	4	--	--	--
Total	150	161	161	177	166	183	183	166	183
By type of consultation cycle:									
12 month	...	115	116	93	121	134	138	121	138
bicycle	...	32	33	28	34	33	33	34	33
18/24 month cycle	...	11	11	39	11	12	12	11	12
By work intensity classification:									
Surveillance-only countries	88	81	77	75	76	73	67	81	72
Program/Intensive cases	62	80	84	102	90	110	116	85	111
Cases with arrangement in period (SBA, EFF, SAF, ESAF, CCFF, RAP) 4/	(50)	(60)	(59)	(69)	(...)	(68)	(...)	(...)	( )
Other intensive cases	(12)	(20)	(25)	(33)	(...)	(42)	(...)	(...)	( )
Protracted arrears 5/	[4]	[9]	[7]	[6]	[...]	[6]	[...]	[...]	[ ]
Memorandum item:									
Membership pending, end of year	...	2	7	20	--	4	--	--	--

Source: Area departments.

1/ Departmental groupings in all years reflect country responsibilities from May 1, 1993, to abstract from the several transfers of countries in recent years. It is to be noted that the term "country" used in this document does not, in all ca refer to a territorial entity that is a state as understood by international law and practice.

2/ South Africa is included with AFR in all years, and Algeria, Djibouti, Mauritania, Morocco, Somalia, and Tunisia are included with MED in all years.

3/ Includes Article IV consultation discussions with nonmetropolitan territories. In addition, from FY 1993 consultation discussions will be held with the EC.

4/ In FY 1991 excludes Somalia (in MED) and Zaire (in AFR) which had arrangements in place for a very short period. For FY 1993, data are shown through mid-December 1992.

5/ Excludes countries that had arrangements, including RAP, in place during the year (except Somalia and Zaire in FY 1991 which had arrangements in place for a very short period). Also excludes Cambodia until FY 1992.

6/ It is expected that Eritrea will apply for membership in 1993.

Allocation of Area Department Staff Time by Type of Country 1/

In describing the use of resources in area departments, the most relevant distinction is between country specific activity (excluding technical assistance), and all other activities. The former category encompasses all work on bilateral surveillance, program and program financing work, contacts with other institutions, and desk work. The category of "all other activities" includes small amounts of technical assistance provided by the area departments, policy development and review work (including all contributions to the Fund's multilateral surveillance work, most notably the WEO), any contribution to the Fund's external training program, administrative services, management and supervision, staff training and all types of paid leave. The expenditure survey conducted in 1991 indicated that about two-thirds of the effective staff years of area department headquarters staff was spent on country-specific work (excluding technical assistance).

1. Country categories

For purposes of budgeting staff levels to meet the projected country-specific activity in the medium term, countries are grouped to correspond to different intensities of work. Reflecting the range of circumstances, the basic grouping is between program and other intensive cases and surveillance-only cases. Average resource use per country is higher for work on program countries and other intensive cases than for surveillance-only cases:

- Program countries are defined as those with a Fund arrangement, including a Rights Accumulation Program (RAP), in effect for at least part of the year, or those that make a purchase under the CCFF. (In almost all cases those drawing under the CCFF will have an arrangement in place.)

- Other intensive cases are defined as those countries in negotiation for use of Fund resources; those with protracted arrears to the Fund (except those adopting a RAP); and those for whom the Fund provides various forms of monitoring or intensive review of an economy beyond that required under normal consultation procedures. (This latter category would include, but not be limited to, cases involving enhanced surveillance; post-ESAF enhanced consultations; and semi-annual Article IV consultation discussions under procedures agreed with the authorities and the World Bank for the period during which the Bank disburses policy based loans.)

  As shown in the 1991 expenditure survey, work with members in the program/intensive category absorbs roughly equivalent resources

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1/ The analysis in this Annex excludes resident representatives.

whether or not an arrangement with the Fund is in effect. For this reason, in making projections, it is not necessary to estimate precisely the number of arrangements that will be in place. In FY 1995-96, the time period chosen for medium-term planning purposes, area departments now project that there will be 111 program/intensive cases, of which 91 are from the pre-November 1991 membership of 159 countries. (Further detail is provided in Tables 2 and 10). It should be noted that countries classified as program/intensive cases are those with which the staff has to be prepared to work intensively. In any one year, however, a few of these countries may be relatively inactive and the average staffing levels reflect this possibility.

- Surveillance-only cases are all countries with Fund involvement except program and other intensive cases and many include, in some cases, countries prior Fund to membership. This category also includes Aruba, Hong Kong, and the Netherlands Antilles, with whom Article IV consultation discussions are held. The category can be divided into the G-7, other standard cycle cases, bicyclic cases and other cycle (18 or 24 month) cases. Area departments project that in FY 1995-96, there will be 72 surveillance-only cases of which 32 would be on the standard consultation cycle, including the G-7, 28 would be bicyclic cases and 12 countries on either the 18 or 24 month cycle.

2. Country-specific activity (excluding technical assistance) per country

The medium-term objectives for country-specific staff time per country that are described in this section (and shown in Chart 1) are indicative. The average staffing levels are similar to those observed in FY 1991 (as revealed in the expenditure survey). They do, however, make allowance for the fact that in FY 1991 there were serious resource imbalances in the area departments, to which actual and prospective staffing increases have been assigned to address. An objective of the medium-term outlook has been to reduce (though not to eliminate) unpaid overtime at headquarters devoted to country specific work, by targeting some staff increases to area departments and the functional departments most heavily affected. The staffing increases approved since FY 1992 and now proposed for area departments will have the effect of modestly increasing (by 0.2 staff years per country) the average effective staff years (excluding unpaid overtime) per country devoted to country-specific work.

The medium-term objectives for the average time devoted to country-specific work are illustrated in Charts 1a and 1b. Amongst surveillance-only cases, the work on G-7 countries takes, on average, some 3 to 3.5 staff years of all grades (0.5 staff years of B-level staff time, and close to 2 staff years of A9-A15 staff time on average). Relatively little time is spent on mission, and a high proportion is spent on analytical work. Widely ranging amounts of resources are devoted to other surveillance-only cases, reflecting the size and complexity of the economies. Between 1 and 1.5 staff years of all grades are utilized on average. The average for a standard cycle country (excluding the G-7) is at the top of this range, and in a few cases between 2 and 2.5 staff years are spent. Time on mission occupies less than 20 percent of resources for this group as a whole.

Close to 3 staff years of all grades would be spent on average on the country-specific work with program and other intensive cases. Even excluding the FSU countries, individual experience varies widely, with over 4 staff years in a few cases, and close to zero in others where a program has become inactive. Approximately 0.5 staff years of B-level staff time and between 1.5 and 2 staff years of A9-A15 staff time are devoted to each program/intensive case on average. The estimates obtained for FY 1991, supported by the partial data becoming available in FY 1993, indicate that work on this group of countries is twice as intensive, on average, as on a standard cycle, surveillance-only case (excluding the G-7). Time spent on mission is close to 30 percent of total country-specific time (some 40 staff weeks a year) on average.

These estimates do not allow for increases in desk work that would result, for example, from a significantly greater emphasis on regional studies, or on data management; however, the estimates incorporate a reduction in the staffing level of over 1 percent to yield savings of 10 staff years over the medium term (see Section 3.a.(2)). The ratio between A9-A15 and B-level staff time devoted to country-specific work (some 3.8:1) is higher than the ratio between these grades for total staffing levels in area departments. This reflects the fact that B-level staff spend a higher proportion of their time on non country-specific activity, including supervision and management.

3. Total staffing level per country

In addition to estimates of country-specific activity, estimates of time spent on all other activities are required to obtain a figure for the total staffing level per country in area departments. The medium-term projections of resource use for area departments include calculation of the appropriate levels of activity on management, supervision, staff training and leave, as well as small allocations for policy development work (including WEO), administrative services, and other activities. In total, if close to 40 percent of area department staff years (including almost 18 percent for leave and holidays) were devoted to all activities other than country-specific work, and vacancies were maintained at a minimal level, resources would be available for personnel and management objectives to be fulfilled.

Total staffing levels per country are obtained by scaling up the staffing years required for country-specific work by some 67 percent (to achieve the desirable ratio of about 60:40 between country-specific and all other activities). The average total staffing levels are illustrated in Chart 1c. Staffing levels (of all grades) vary from less than a staff year to 2.5 staff years for surveillance-only cases (except for G-7 countries which utilize 5 to 6 staff years). On average, program and other intensive cases involve about 5 staff years of all grades.

Chart 1. Allocation of Area Department Staff Time, by Type of Country
<u>(In average staff years per country)</u>

Chart 1a. Country-Specific Work by Type of Activity

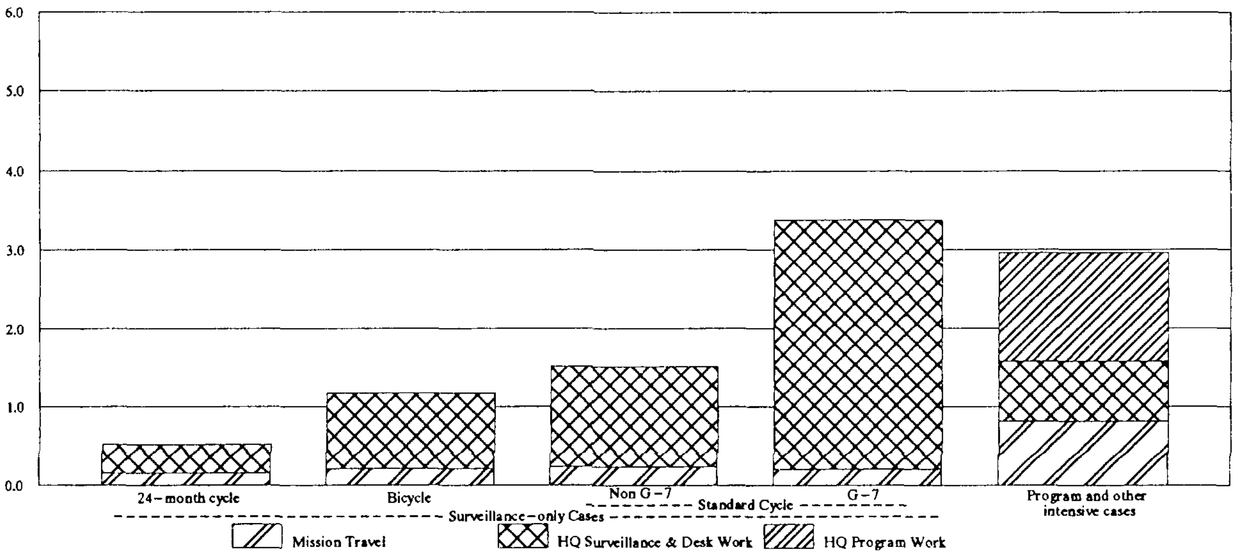

Chart 1b. Country-Specific Work by Grade

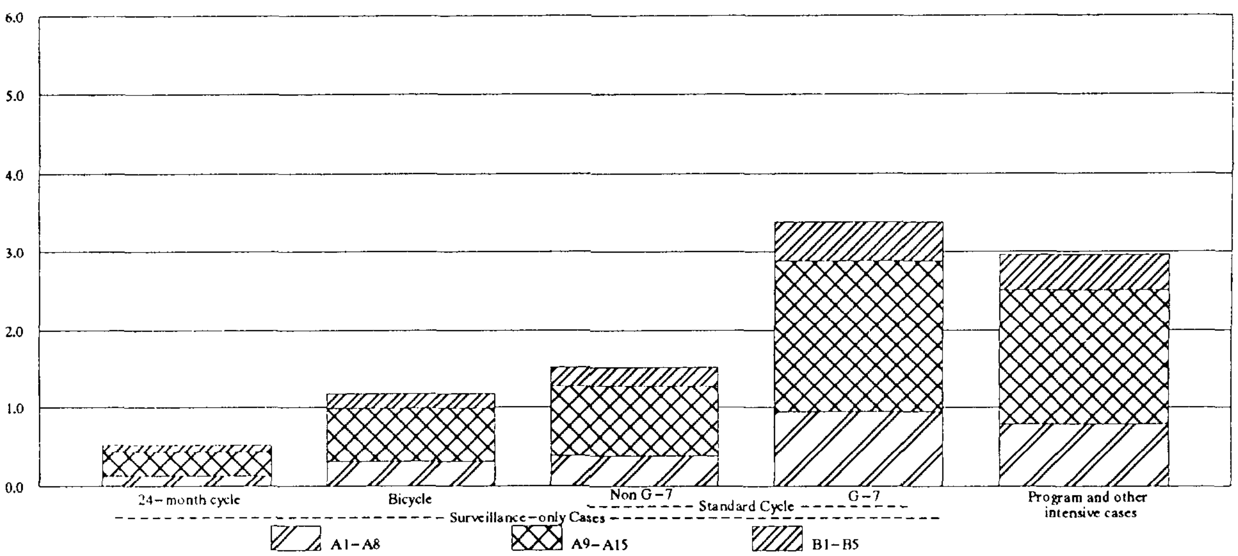

Chart 1c. Total Staffing Level by Type of Activity