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EB/CAP/83/7

August 22, 1983

To: Members of the Committee on Administrative Policies

From: The Committee Secretary

Subject: Terms of Reference of the Committee on Administrative Policies

Attached is a paper on the terms of reference of the Committee on Administrative Policies as they relate to the administrative budget. The paper has been prepared for the information of the members of the Committee in response to a request by an Executive Director.

Att: (1)

Other Distribution:
Members of the Executive Board
Department Heads

TERMS OF REFERENCE OF THE COMMITTEE ON ADMINISTRATIVE POLICIES

Prepared by the Administration Department
August 22, 1983

This paper has been prepared in response to questions raised by an Executive Director at EB/CAP/82/4, 12/9/82, and EB/CAP/83/1, 5/26/83, regarding the history of the present terms of reference of the Committee on Administrative Policies, and the reason why the administrative budget should not be discussed by the Committee.

The terms of reference of the Committee on Administrative Policies are currently as follows:

> To consider and make recommendations to the Executive Board on those matters of administrative policy requiring action by the Board that are referred to it by the Chairman, the Executive Board, or an Executive Director. It is not contemplated that the Administrative Budget would be referred to the Committee. The Committee will consider procedures for staff compensation review subsequent to the 1981 review, working in coordination with an ad hoc committee to be appointed by the Bank Executive Board for dealing with the same matter. Directors serve on the Committee for two-year periods, established on a staggered basis (EBM/69/96, 10/17/69; EBM/74/1, 1/4/74; EBM/81/89, 6/12/81).

When the Committee on Administrative Policies was established in 1969, the management proposed that the administrative budget, together with general salary adjustments, would not be referred to the Committee on the grounds that (i) these matters are of such overriding importance that all Executive Directors should be on an equal footing when they come up for discussion in the Executive Board, and that (ii) it was unlikely that any time would be saved by such additional consideration (EBM/69/94, 10/13/69). The question of the terms of reference of the Committee as they relate to the administrative budget was again raised in 1975. At that time, the Managing Director concluded that the earlier arguments for not referring the administrative budget to the Committee continued to be valid and that, therefore, the procedure should not be changed. This conclusion was endorsed by the Executive Board (EBAP/75/54, 3/6/75).

In 1974 (EBM/74/1, 1/4/74), the terms of reference of the Committee were widened to include general salary adjustment proposals so that Executive Directors could express their views before proposals were submitted formally to the Executive Board. Three years later, discussions of general salary adjustments reverted back to the Executive Board because (i) all Executive

Directors wanted to be involved at an early stage and (ii) the increasing number of meetings of the Committee on this subject had become too time-consuming. In 1981 (EBM/81/89, 6/12/81), the terms of reference were again amended to provide for the Committee to consider procedures for staff compensation reviews, but this provision has not been implemented.

The Fund has two procedures for keeping the Executive Directors fully abreast of, and involved in the administrative budget. The first is the mid-year review, which is mainly concerned with providing Executive Directors with information together with the Managing Director's tentative views on the coming budget, so that they can indicate their views at an early stage. It has been agreed that, in the future, the review which has hitherto focused primarily on the coming year, will have an expanded section on expenditure developments in the current year. The mid-year review has constituted a very useful exchange of views.

The second procedure is the outline of the budget which is distributed to Executive Directors a few weeks in advance of issuance of the formal budget document. Executive Directors are invited to give their views on the budget as outlined and, upon request, the Deputy Managing Director will discuss any issues raised in this document with individual Executive Directors. These discussions are occasionally supplemented with additional data on items of particular interest to Executive Directors. The views and comments of the Executive Directors are taken into account in the preparation of the final budget document.

It should be noted that the World Bank has similar procedures for involving Executive Directors in the budget process before the formal review of the budget takes place. First, there is a mid-year review at the Executive Board of the financial and operating programs, and of the administrative budgets of the World Bank. This review focuses largely on the current year, rather than the coming budget. Second, at the start of a new budget cycle, informal consultations are held between management and Executive Directors. The purpose of these consultations is to acquaint Executive Directors with the basic planning assumptions as well as programming and budgeting issues which are likely to have a major bearing on the formulation of the budget. In addition to informal consultations prior to the issuance of the budget, the management and senior staff hold a series of seminars for Executive Directors and their assistants on the work program and the budget. This occurs shortly after the formal budget document is submitted to the Executive Board. The purpose of these management seminars is to inform and explain rather than to change budget content. Understandably, given the complexity of the World Bank's administrative budget, which is approximately three times the size of the Fund's budget, and the large number of unique projects contained in the work program, considerable explanation is required. As the Fund's administrative budget is smaller and simpler than the World Bank's, the present procedures would appear to be adequate. In particular, the Fund procedure of providing a detailed outline of the budget in advance of the formal document gives a timely opportunity for the Executive Directors to influence the shape and size of the budget for the coming year.

In conclusion, the present process of formulating the administrative budget provides Executive Directors with appropriate opportunities to review questions of organization and operation, and to set overall budget guidelines. Therefore, it would not seem necessary to add another review in the Committee on Administrative Policies.

Occasionally, an Executive Director may desire further data or may wish to discuss specific details of the budget. It would seem more efficient from the standpoint of management, as well as the Executive Board, to handle such instances on an individual basis rather than to involve the whole Executive Board, unless the Executive Director concerned so requested.