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To: Members of the Executive Board

From: The Secretary

Subject: Budgetary Outlook in the Medium Term -
Automation: A Medium-Term Framework

The attached appendix to the memorandum of the Acting Managing Director on the budgetary outlook in the medium term provides background information on the Fund's automation strategy.

Att: (1)

Other Distribution:
Department Heads

APPENDIX

Automation: A Medium-Term Framework

Expenditures on automation increased sharply in the first half of the 1980s when efforts were concentrated on upgrading computing capacity and on expanding and modernizing Fund-wide departmental applications. In particular, expenditures were incurred to convert some systems that had involved a great deal of manual recording and office systems that relied on old-fashioned techniques. During that period, there was a lack of computing power and the Fund acquired large machines ("mainframes") operating in a centralized environment. In this context, some of the large data bases in the Treasurer's Department, Administration Department, and the Bureau of Statistics were rebuilt or expanded to take advantage of the current technology. During this period, the Fund experienced worthwhile gains in productivity and the new office systems, in particular, began to change the way the Fund does its work.

In the second half of the 1980s, automation expenditures fell from the peaks reached in 1985 and 1986. In part, this reflected the completion of large development projects and, in part, a deliberate slowing down in outlays pending a reappraisal of how the Fund should develop systems to enhance the capabilities of staff involved in economic analytical work with countries and in other endeavors. At this time, personal computers revolutionized the industry and the Fund began to make acquisitions of this equipment and associated software.

As part of the reappraisal, detailed inquiries have been made as to the automation needs of individual users and groups of users so as to improve the quality of the work and, where possible, to add further to the productivity gains. These inquiries confirmed that a considerable amount of the Fund's work is done through the contributions of individuals working in teams drawn from within a department or from two or more departments. This reappraisal has led to the development of a medium-term framework for action which is briefly described in the following paragraphs.

First, in recognition of the growth in power and capacity of individual personal computers and of the fact that Fund's mainframes have become technologically obsolete, decisions have been taken to transfer the operation of large systems previously carried out in the Fund to the World Bank's mainframes. These decisions obviate the need for the Fund to make major outlays on new mainframes, at least in the medium term. They also mean that there will be considerable financial savings for both institutions over the three-year life of the Fund-Bank agreements. In the Fund's case, the savings will be \$9 million over three years, as compared with expenditures that would otherwise have been necessary.

Second, a concerted effort is underway to expand and upgrade the capacities of personal computers used by individual staff for both economic analysis and other work. This process would continue in FY 1992 and beyond and would involve redeployment of equipment (including that used on missions) towards those users who have a growing need for more powerful individual work stations. This approach would have the added advantage of advancing the thrust toward standardization and networking outlined in later paragraphs.

Third, a detailed study has been conducted of ways to improve training and support for staff so that full advantage can be taken from the advances in technology. Some decisions on improvements were reflected in FY 1991 budget and further increases are planned in the medium-term framework. It would appear that the Fund, along with many other institutions, is facing rising costs for automation training and support, and it will continue to be important to target increased outlays in ways that are effective.

Fourth, important steps have been taken, or planned, to standardize the ways in which documents are prepared by Fund departments so that they may be readily accessed electronically, thereby increasing the availability of information within the Fund while considerably reducing the paper flow. In FY 1991, a start was made on replacing the office automation equipment in nine departments which, in any event, has become obsolete. This process, together with the introduction of standard software, will mean that by 1992 virtually all offices will be using the same systems. This will be cost effective in eliminating duplication of effort and frustration among users.

Fifth, this standardization will facilitate the introduction of electronic communication of documents within and among Fund departments ("networking"). Detailed analyses indicate the benefits of this approach for the work of mission teams and of departments generally. Networking will be incorporated into re-equipment process in the nine departments, specified in the previous paragraph. The strategy envisages spreading the network out beyond these departments to other Fund departments, bureaus, and offices over the 1991-94 period.

The medium-term framework does not yet take into account needs in four important areas. First, there is the matter of external telecommunications. The Fund relies primarily on traditional systems (mail, cables, telex) although more recently greater emphasis has been placed on communications by facsimile and, to a limited extent, on electronic forms. In the coming year, detailed work will be undertaken to determine how the Fund can take advantage, over the medium term, of technological advances in external communications at a reasonable cost. Second, although the planned electronic network for sharing documents within the Fund could also handle (with some enhancement) data sharing, more analysis is needed of the exact needs of users and groups of users. Third, there are a number of administrative systems that will need modernization and integration over the medium term; these include systems in the Treasurer's Department and in the

Administration Department such as payroll, personnel, and travel. Fourth, there will be a need to assess the extent to which, and the means by which, major information systems now carried under mainframe agreements with the World Bank should be converted into programs that can be handled by alternative means, including smaller, but powerful, machines.

The cost implications of the medium-term framework outlined above are still being developed. The initiatives under way and planned will cause automation expenditures to climb again after the decline in the second half of the last decade.

