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EBAP/91/289

December 6, 1991

To: Members of the Executive Board

From: The Acting Secretary

Subject: FY 1992 Budget: Request for a Supplementary Appropriation,  
Including Staff Increases, and Midyear Review of Administrative  
and Capital Expenses

Attached for consideration by the Executive Directors is a memorandum by the Managing Director requesting a supplementary budget appropriation for FY 1992, including staff increases, and midyear review of administrative and capital expenses. This paper is scheduled for discussion on Wednesday, December 11, 1991. The proposed decision appears on page 2 of EBAP/91/290 (12/6/91).

Mr. Brau (ext. 7854), Mr. Wiesner (ext. 8241), or Mr. Hicklin (ext. 7137) is available to answer technical or factual questions relating to this memorandum prior to the Board discussion.

Att: (1)

Other Distribution:  
Department Heads

December 6, 1991

To: Members of the Executive Board

From: The Managing Director

Subject: FY 1992 Budget: Request for a Supplementary  
Appropriation, Including Staff Increases, and Midyear  
Review of Administrative and Capital Expenses

This note presents a request for a supplementary appropriation of \$13.7 million, together with a proposed increase in regular staff of 142 positions and an increase of 32 expert years. The request involves two principal components; the part relating to the U.S.S.R. and the Baltic states involves an increase in 123 regular staff positions and of 32 expert-years; the part that involves the follow-up to my initial budget request for FY 1992, but which was held in abeyance by the Executive Board pending further justification, involves an increase of 19 regular staff positions. A midyear review of the Fund's administrative and capital expenses for the first six months of FY 1992 is contained in an Annex.

#### I. Request for Staffing Increases

My note on the Budgetary Outlook in the Medium Term (EBAP/91/277, November 21, 1991) indicated that pre-membership and subsequent work with the Baltic states and with the U.S.S.R. and its constituent republics, consistent with the Fund's Special Association Agreement with the U.S.S.R., would require some 160 staff positions or expert years, taking into account leave utilization. The provision of needed translation and interpretation services would be additional. Following further discussions with departments in the past few days, it is estimated that the immediate requirements (including for translation and interpretation services), in addition to the staff assigned to the U.S.S.R. at the outset of the financial year, is for 155 staff positions or expert years. This increase is included in the supplementary request. In addition, as noted below, an increased central budget for consultants and increased allocations for

travel expenses, EDP expenditures, office facilities of resident representatives, and language services are proposed.

The authorization that I seek for an increase in the staffing of the Fund in order to discharge the work with the U.S.S.R. and the Baltic states is conservative. We shall need to review the adequacy of the resource increase now proposed on a continuous basis as experience is gained. The Board is being informed of the evolving work program on the U.S.S.R. and the Baltic states on a regular basis. In particular, the work already being conducted or planned for the near future will absorb the total of the staff increase now being proposed for work on the U.S.S.R. and Baltic states. Pending the permanent resource increase that I am proposing, the work is being discharged through formal temporary redeployment, informal postponement of work and extraordinarily high levels of unpaid overtime and mission travel by many staff.

1. Proposed increases in the European Department

The immediate increase in the work of the European Department involves an additional 57 staff positions, comprising 10 positions at the B level, 33 at the A9-A15 level, and 14 at the A1-A8 level. 1/ Eight of the new positions would be for resident representatives.

Effective November 27, 1991, the work on the U.S.S.R. and Baltic states in the European Department was reorganized. Four divisions were created to cover the U.S.S.R., (the Central, Eastern, Southern and Western Divisions), while the work on the Baltic states will continue to be managed from the Immediate Office for the time being. The responsibilities and activities of the new divisions are shown in the handbook 'FY 1992 Activities and Organization,' recently distributed to Executive Directors. The major activities of these new divisions and the team within the Immediate Office concerned with the Baltic states, in addition to keeping abreast of current economic and political developments, will be advice on economic reform programs, improvement of the Fund's knowledge of the economies and policy-making institutions, preparations for membership, the coordination of technical assistance work both within the Fund and with other international institutions, research and policy development on issues of concern, and reporting to the Board. The Immediate Office staff will direct the work and lead missions.

The proposed increase will bring to 64 the total number of budgeted staff positions in the European Department devoted exclusively to the U.S.S.R. and the Baltic states. At the present time, the Baltic states team would comprise 12 positions, for now attached to the Immediate Office:

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1/ The increase in the European Department shown in Table 1 is 55 (47 in EUR and 8 resident representatives), since 2 positions are transferred from the European Department to the Southeast Asia and Pacific Department in connection with the transfer of work on Australia and New Zealand.

1 B-level position, 8 A9-A15 positions (including 3 resident representatives) and 3 A1-A8 positions. Currently, it is envisaged that the U.S.S.R. team of 52 positions will comprise 6 Immediate Office staff (4 at the B level, and 2 at the A1-A8 level); 11 in the Central Division, covering the Inter-republic institutions and the Russian Federation (1 at the B level, 7 at the A9-A15 level, and 3 at the A1-A8 level); 10 in the Western Division, covering Belarus and Ukraine (1 at the B level, 7 at the A9-A15 level, and 2 at the A1-A8 level); 9.5 in the Southern Division, covering Armenia, Azerbaidzhan, Georgia and Moldova (1 at the B level, 6 at the A9-A15 level, and 2.5 at the A1-A8 level); 9.5 in the Eastern Division, covering Kazakhstan, Kirghizia, Tadzhikistan, Turkmenistan, and Uzbekistan (1 at the B level, 6 at the A9-A15 level and 2.5 at the A1-A8 level); and 6 resident representative positions (2 at the B level and 4 at the A9-A15 level).

As indicated in my statements to the Executive Board on November 6 and November 22, 1991, the work on the U.S.S.R, its constituent republics, and Baltic states is continuing apace. The European Department is fielding a general economic mission that has remained in Moscow, with a changing composition, for some time. The main objectives of this mission are to collect material and conduct consultations for an Article IV-type review, to provide advice to the groups working on inter-republican agreements, and to discuss the economic program of the Russian Government. In addition, missions led mainly by the European Department and with participation from other departments have taken place to each Baltic state and missions are underway or planned to the other eleven republics before end-December. An important recent development has been the agreement reached on debt issues between the G-7, on the one hand, and the U.S.S.R. and its constituent republics on the other. In this context, I have informed Executive Directors that the commitment by eight republics to agree on economic programs with the Fund during the first quarter of 1992 presents the Fund with an enormous challenge. With eight programs to prepare, the staff will be starting its work from the beginning, except in Russia, in the sense of collecting economic data for the republics, establishing relationships with the key policy makers and agreeing on economic programs with them. Since one or more of the other four republics (which include Ukraine) may subsequently sign the agreements with the G-7, and the Fund would anyway like to see them pursue the same policies, the equivalent staff effort will also be devoted to them. This work will fully engage the staff for whom increases in the European and other departments are now being proposed. During the next few critical months it will be necessary to augment Fund resources with temporary staff from elsewhere (e.g., former Fund staff members, consultants, assistance from World Bank missions).

## 2. Proposed increases in other departments

Of the total proposed increase of 155 staff for work on the U.S.S.R. and the Baltic states, 98 are proposed for departments other than the European Department. Staff in these departments will contribute to the work by participating in the missions of the European Department, by providing technical assistance, and by fulfilling responsibilities for overview and support functions, including language services. The technical assistance needs in the Baltic states and in the U.S.S.R. and its constituent republics are enormous, and the Fund's work is likely to be on a scale that is larger and of a qualitatively more complex character than in other Eastern European countries. The proposals involve an increase for the Central Banking Department (27 staff), the Fiscal Affairs Department (27), the Exchange and Trade Relations Department (12), the IMF Institute (12), the Statistics Department (11), the Legal Department (5), the Administration Department (2) and the Bureau of Language Services (2). As detailed below, the total increase involves 32 expert years in addition to 66 regular staff positions (which can be filled with either permanent or fixed-term staff). As for all departments, the staff increases for the Administration and Statistics Departments and the Bureau of Language Services imply increases in the staff ceiling and in the total authorized staffing levels from those approved in the FY 1992 budget. It will be noted, however, that in the paper on the Budgetary Outlook in the Medium Term, proposals are made for reductions in activity that would, other things equal, reduce the staff ceiling and authorized staffing levels at the outset of FY 1993. The reaction of Executive Directors on my proposals for activity cuts will therefore be an important element in the plans that these departments make for their staffing levels in advance of the FY 1993 budget discussion.

The proposed increase for the Central Banking Department involves 3 staff at the B level, 12 at the A9-A15 level, 3 at the A1-A8 level, and 9 expert years (which include the time spent by short-term consultants as well as headquarters-based experts). The major activities involving the Central Banking Department will be in technical assistance to the Baltic states and to the U.S.S.R. and its constituent republics. As previously indicated to the Executive Board, a large technical assistance mission to the U.S.S.R., which was largely diagnostic in character, has returned from Moscow. Missions have also taken place to the Baltic states. The Central Banking Department's work in the next few months will continue to include the implications of the decision of the G-7 that technical assistance on central banking issues should be coordinated by the Fund. This will involve significant supervisory and coordination responsibilities. The immediate work in the central banking area is likely to begin with basic institution building. The priorities will include assistance on a clearing and payments system, accounting issues, the legal and regulatory framework, banking supervision, the operational framework for monetary control and for money and foreign exchange markets, and the organization of central banks.

The proposed increase for the Fiscal Affairs Department involves 3 staff at the B level, 10 at the A9-A15 level, 3 at the A1-A8 level, and 11 expert years. Five of the staff positions are being allocated for participation in European Department missions and program activity. The remaining increase is to continue the initial program of technical assistance to the Baltic states, the U.S.S.R., and the larger republics. Diagnostic missions to Russia, the Ukraine and Kazakhstan have already taken place and specialized missions are currently in each of these republics. Fiscal Affairs Department staff have participated in missions to the Baltic states and Central Asian republics. In this case also, significant supervisory responsibilities are involved as are substantial responsibilities to help in training officials. Technical assistance in the immediate period ahead will concentrate on basic elements such as tax administration, tax policy and budgeting, as well as social security and social safety nets.

The proposed increase for the Exchange and Trade Relations Department includes 2 at the A9-A15 level and 1 expert year to respond to initial technical assistance requirements on exchange systems. The remaining increases (comprising 1 staff position at the B level, 6 at the A9-A15 level and 2 at the A1-A8 level) are in support of the department's continuing extensive participation in missions to the U.S.S.R and Baltic states. Nine ETR staff members are now assigned to missions to the Baltic states and the U.S.S.R. and more may need to be assigned. In its work so far, ETR staff has covered a range of issues, including those related to the exchange rate, particularly in the context of the possible introduction of new currencies and proposals regarding currency or payments unions, the exchange and trade system, international reserve management, and the balance of payments and external debt situation, including concerning debt restructuring.

The increase for the IMF Institute (1 at the B level, 7 at the A9-A15 level, 2 at the A1-A8 level and 2 expert years) is required to provide the additional courses at headquarters and on a regional basis for officials of the Baltic states and the U.S.S.R. Diagnostic missions have visited Russia, Ukraine and Kazakhstan and Belarus. A two-week course in Vilnius is taking place in December for officials in the three Baltic states, and three-week courses are planned in Moscow, Kiev, and Minsk during early 1992 with an additional policy seminar in Moscow. Other immediate tasks involve the preparation for courses at headquarters for participants from the U.S.S.R. and the Baltic states.

The increase for the Statistics Department (6 at the A9-A15 level and 5 expert years) will be for the provision of technical assistance. Preliminary diagnostic missions have already returned from Moscow, Kiev and Alma Ata, and staff from the Statistics Department have also visited the Baltic states. Multitopic missions are taking place or are envisaged for the three largest republics and the Baltic states, during which practical advice will be provided, including on the regular provision of data to the Fund, and training in the three core areas of fiscal, monetary and balance

of payments statistics. The technical assistance requirements in the statistics area are very large. Except in the area of the national accounts, understanding of the international methodologies has not yet reached even a basic level, and there will be a need for intensive training during early missions before the elements of a reformed statistical system can begin to be put in place. The authorities have indicated a strong preference, at least in the early stages of work with the Fund, for courses to be held in the U.S.S.R.

The proposed increase for the Legal Department comprises 4 expert years and 1 staff position at the A1-A8 level, to allow requests for technical assistance on new legislation to be met. The increase for the Bureau of Language Services involves only two positions initially (at the A9-A15 level), though, as noted below, a larger dollar budget is proposed to provide contractual services for translation and interpretation. The two additional positions in the Administration Department (at the A9-A15 level) are required to implement the very significant increase in recruitment and technical assistance support activity. It should be noted in this context that the considerable increase in activity related to the U.S.S.R. and the Baltic states in the Administration and other departments throughout the Fund is initially assumed to be met within the present staff ceilings, and will inevitably involve an internal redeployment of staff time.

In view of my conservative staffing proposals for work on the U.S.S.R. and the Baltic states at this time, flexibility for contingencies is appropriate. At the same time, the Fund must have a means of availing itself of specialist advice, as needed, in the unique circumstances of the U.S.S.R. and the Baltic states without creating permanent staff positions. To meet these needs, it is proposed that a central consultant budget for work on the U.S.S.R. and the Baltic states be established and funded at an annual rate of US\$1.5 million (an appropriation of \$0.5 million for the remainder of FY 1992). All departments involved in work on the U.S.S.R. and the Baltic states would have access to this budget, on approval by Fund management of specific requests.

### 3. Proposed staffing increases related to organizational changes

Directors will recall that I had originally requested authorization in FY 1992 for 78 additional staff years but that only 56 were approved. Of the 22 staff-years held in abeyance, 10 were intended for country-specific work but were unallocated at the time, 10 were intended for functional, special service and support departments, and 2 positions for the Office of the Managing Director. It was understood that I would provide specific justifications for the additional staff years in a FY 1992 supplement. The additional 19 staff positions I am now requesting involve the following changes: (i) the creation of the Southeast Asia and Pacific Department and the Central Asia Department that I proposed to you on July 26, 1991, and that became effective on September 3, 1991, involves, for the Central Asia

Department, an increase of 2 B-level positions and 1 A10 position; for the Southeast Asia and Pacific Department it involves 1 B-level position and 2 A1 to A8 positions. (ii) I also noted, on July 26, the different approach being followed in the African Department concerning the management of the demanding work load it faces. In strengthening the oversight responsibilities for subregions of the department, 1 additional managerial position is being proposed for the African Department at this time. (iii) I have also discussed with Executive Directors changes in the role of the Central Banking Department. In this connection, the positions of an Associate Director and an Administrative Assistant have been added to the Central Banking Department. Also, I am now proposing that 4 additional A9 to A15 positions be provided in support of the initial increases in responsibilities of the Central Banking Department, in particular relating to the enhanced integration of central banking and exchange market reform measures into the design and execution of economic programs. (iv) Changes have also taken place in the organization of administrative work relating to technical assistance and budget work. I propose to establish a Technical Assistance Secretariat that would assist management with Fund-wide technical assistance matters relating to external funding of technical assistance, to prioritization of technical assistance, to coordination of technical assistance programs with other organizations, and to other Fund-wide technical assistance matters. The Secretariat would be staffed by 1 B-level position, 1 A9-A15 position and 1 A1-A8 position. In addition, and concerning administrative and budgeting activity, 1 A-level position is proposed for the Budget and Planning Division to administer the new budget reporting system, and 1 B-level position, together with 1 A1-A8 position, in the Office of the Managing Director.

The implications of the changes described above are shown in Tables 1 and 2.

## II. Request for Supplementary Budget Appropriation

### 1. Impact of staffing changes \$6,300,000

The cost of the proposed staffing changes on an annual basis is \$24,200,000, of which \$6,300,000 has been included in the supplementary budget request for funding these positions for the remainder of this financial year. This will finance some 13 staff years of new regular staff, 20 expert years, the regularization of 7 staff years (19 positions) in the Staff Contingency Fund, and consultant resources (\$0.5 million). The amount consists of \$3,800,000 for salaries, \$2,200,000 for other personnel expenses and appointment travel, and \$300,000 for office occupancy expenses.

### 2. Increase in volume and price of business travel \$2,850,000

In the first six months of FY 1992, there were approximately 40 trips to the U.S.S.R. and the Baltic states costing \$350,000.

Table 1. FY 1992 Total Authorized Staff by Organization

	Approved Budget [1]			Revised Budget (incl. supplementary budget request)			Change		
	Regular Staff Pos.[2]	Other (Experts, Consul., etc. (in years)	Total Staff	Regular Staff Pos.[3]	Other (Experts, Consul., etc. (in years)	Total Staff	Regular Staff Pos.[3]	Other (Experts, Consul., etc. (in years)	Total Staff
<b>Area Departments</b>									
African Department	152.0	20.3	172.3	153.0	20.3	173.3	1.0	0.0	1.0
Central Asia Department	40.0	3.2	43.2	43.0	3.2	46.2	3.0	0.0	3.0
European Department	104.0	11.3	115.3	151.0	11.3	162.3	47.0	0.0	47.0
Middle Eastern Department	47.0	5.9	52.9	47.0	5.9	52.9	0.0	0.0	0.0
Southeast Asia and Pacific Department	36.0	7.1	43.1	41.0	7.1	48.1	5.0	0.0	5.0
Western Hemisphere Department	113.0	13.0	126.0	113.0	13.0	126.0	0.0	0.0	0.0
Resident Representatives	43.0	0.0	43.0	51.0	0.0	51.0	8.0	0.0	8.0
<b>Subtotal</b>	<b>535.0</b>	<b>60.8</b>	<b>595.8</b>	<b>599.0</b>	<b>60.8</b>	<b>659.8</b>	<b>64.0</b>	<b>0.0</b>	<b>64.0</b>
<b>Functional &amp; Special Services Dept.</b>									
Central Banking Department	37.0	72.7	109.7	61.0	81.7	142.7	24.0	9.0	33.0
Exchange & Trade Relations Dept	111.0	13.4	124.4	126.0	14.4	140.4	15.0	1.0	16.0
Fiscal Affairs Department	93.5	37.9	131.4	109.5	48.9	158.4	16.0	11.0	27.0
IMF Institute	65.5	4.0	69.5	75.5	6.0	81.5	10.0	2.0	12.0
Legal Department	37.0	7.2	44.2	38.0	11.2	49.2	1.0	4.0	5.0
Research Department	88.0	14.2	102.2	84.0	14.2	98.2	-4.0	0.0	-4.0
Statistics Department	116.0	10.3	126.3	122.0	15.3	137.3	6.0	5.0	11.0
Treasurer's Department	138.0	14.7	152.7	138.0	14.7	152.7	0.0	0.0	0.0
<b>Subtotal</b>	<b>686.0</b>	<b>174.4</b>	<b>860.4</b>	<b>754.0</b>	<b>206.4</b>	<b>960.4</b>	<b>68.0</b>	<b>32.0</b>	<b>100.0</b>
<b>Information, Liaison &amp; Support Dept.</b>									
Administration Department	213.0	64.6	277.6	215.0	64.6	279.6	2.0	0.0	2.0
External Relations Department	59.5	10.1	69.6	59.5	10.1	69.6	0.0	0.0	0.0
Secretary's Department	100.0	13.1	113.1	100.0	13.1	113.1	0.0	0.0	0.0
Bureau of Computing Services	65.0	103.8	168.8	65.0	103.8	168.8	0.0	0.0	0.0
Bureau of Language Services	90.0	14.3	104.3	92.0	14.3	106.3	2.0	0.0	2.0
Internal Audit	10.0	0.9	10.9	10.0	0.9	10.9	0.0	0.0	0.0
Investment Office - SRP	4.0	0.2	4.2	4.0	0.2	4.2	0.0	0.0	0.0
Office in Europe	13.0	1.6	14.6	13.0	1.6	14.6	0.0	0.0	0.0
Office in Geneva	6.0	0.7	6.7	6.0	0.7	6.7	0.0	0.0	0.0
Budget & Planning Division	14.0	0.2	14.2	15.0	0.2	15.2	1.0	0.0	1.0
<b>Subtotal</b>	<b>574.5</b>	<b>209.5</b>	<b>784.0</b>	<b>579.5</b>	<b>209.5</b>	<b>789.0</b>	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>
<b>Office of Managing Director</b>									
Technical Assistance Secretariat	9.0	6.0	15.0	11.0	6.0	17.0	2.0	0.0	2.0
Other	28.0	15.1	43.1	28.0	15.1	43.1	0.0	0.0	0.0
<b>Subtotal</b>	<b>37.0</b>	<b>21.1</b>	<b>58.1</b>	<b>42.0</b>	<b>21.1</b>	<b>63.1</b>	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>
<b>Total [4]</b>	<b>1,832.5</b>	<b>465.8</b>	<b>2,298.3 [5]</b>	<b>1,974.5</b>	<b>497.8</b>	<b>2,472.3</b>	<b>142.0</b>	<b>32.0</b>	<b>174.0</b>
<b>Externally Financed Experts</b>									
UNDP		30.0	30.0		30.0	30.0		0.0	0.0
Japan Administered Account		8.0	8.0		16.0	16.0		8.0	8.0
<b>Externally Financed Total</b>		<b>38.0</b>	<b>38.0</b>		<b>46.0</b>	<b>46.0</b>		<b>8.0</b>	<b>8.0</b>
<b>Number of B1-B5 positions included above</b>	<b>240</b>			<b>270</b>			<b>30</b>		

[1] As shown in EBAP/91/76, Supplement 2 (4/23/91) but incorporating ASD split and separate line item for Budget and Planning.  
 [2] Transfers of positions between departments which have taken place since May 1, 1991 are not shown.  
 [3] Includes transfers of positions between departments since May 1, 1991 as follows:  
 (a) Two positions were transferred from the European Department to the Southeast Asia and Pacific Department.  
 (b) Net 4 positions were transferred from the Research Department to the Exchange and Trade Relations Department.  
 [4] Excludes Executive Directors and their staffs, externally financed experts, and staff on capital projects.  
 [5] Reconciled to the total budgeted staff years of 2,538 on line 11 of Table 1 in EBAP/91/277, 11/21/91 by including Executive Directors and their assistants (200), externally financed experts (38) and capital projects (2).

Table 2. FY 1992 Personnel Ceilings of Departments, Bureaus, and Offices

	Approved Budget [1] [2]				Revised Budget [3]				Change
	Grades			Total	Grades			Total	
	B1-B5	A9-A15	A1-A8		B1-B5	A9-A15	A1-A8		
<b>Area Departments</b>									
African Department	23	85	44	152	24	85	44	153	1
Central Asia Department	6	22	12	40	8	23	12	43	3
European Department	17	54	33	104	26	78	47	151	47
Middle Eastern Department	10	22	15	47	10	22	15	47	0
Southeast Asia & Pacific Department	8	17	11	36	9	19	13	41	5
Western Hemisphere Department	19	59	35	113	19	59	35	113	0
Resident Representatives	5	38	--	43	11	40	--	51	8 [4]
Subtotal	88	297	150	535	107	326	166	599	64
<b>Functional &amp; Special Services Department</b>									
Central Banking Department	10	16	11	37	14	32	15	61	24
Exchange & Trade Relations Department	18	55	38	111	19	66	41	126	15
Fiscal Affairs Department	15	52	26.5	93.5	18	62	29.5	109.5	16
IMF Institute	11	20	34.5	65.5	12	27	36.5	75.5	10
Legal Department	7	15	15	37	7	15	16	38	1
Research Department	13	52	23	88	13	49	22	84	-4
Statistics Department	11	62	43	116	11	68	43	122	6
Treasurer's Department	12	67	59	138	12	67	59	138	0
Subtotal	97	339	250	686	106	386	262	754	68
<b>Information, Liaison &amp; Support Department</b>									
Administration Department	12	85	116	213	12	87	116	215	2
External Relations Department	10	28	21.5	59.5	10	28	21.5	59.5	0
Secretary's Department	9	33	58	100	9	33	58	100	0
Bureau of Computing Services	8	42	15	65	8	42	15	65	0
Bureau of Language Services	5	55	30	90	5	57	30	92	2
Internal Audit	1	8	1	10	1	8	1	10	0
Investment Office - SRP	1	2	1	4	1	2	1	4	0
Office in Europe	3	3	7	13	3	3	7	13	0
Office in Geneva	2	1	3	6	2	1	3	6	0
Budget & Planning Division	--	9	5	14	--	10	5	15	1
Subtotal	51	266	257.5	574.5	51	271	257.5	579.5	5
Office of Managing Director	4	2	3	9	5	2	4	11	2
Technical Assistance Secretariat	--	--	--	0	1	1	1	3	3
Support Group Secretarial Staff	--	2	26	28	--	2	26	28	0
Subtotal	4	4	29	37	6	5	31	42	5
<b>Total</b>	<b>240</b>	<b>906</b>	<b>686.5</b>	<b>1832.5</b>	<b>270</b>	<b>988</b>	<b>716.5</b>	<b>1974.5</b>	<b>142</b>

[1] As shown in EBAP/91/76, Supplement 2 (4/23/91) but incorporating ASD split and separate line item for Budget & Planning.

[2] Transfers of positions between departments which have taken place since May 1, 1991 are not shown.

[3] Includes transfers of positions between departments since May 1, 1991 as follows:

(a) Two positions were transferred from the European Department to the Southeast Asia and Pacific Department.

(b) Net 4 positions were transferred from the Research Department to the Exchange and Trade Relations Department.

[4] Five positions for the USSR and three positions for the Baltic States.

Based on the travel plans of the departments, a total of 260 trips are planned to the U.S.S.R. in the second half of FY 1992, at an estimated cost of \$2,500,000. The average cost of a trip to the Soviet Union is very high, in part because of the need to make special internal air travel arrangements in the U.S.S.R. Hotel and subsistence charges are \$500 a day compared with the overall average of \$260 a day.

3. Additional EDP equipment \$1,700,000

An amount of \$1,700,000 is needed to purchase additional microcomputer equipment, software, and related services. Included in this amount is \$520,000 reflecting the cost of 89 portable computers and associated equipment required because of the greater frequency of missions to Eastern Europe/U.S.S.R., the larger size of mission teams, and the longer duration of missions. The total request also provides an additional \$980,000 for microcomputers for the additional staff being requested above as a part of the supplementary request. The initial installation of the new equipment, initial user training, user support and other start-up costs will require \$200,000.

4. Office/residential facilities of resident representatives in U.S.S.R. \$605,000

As noted in Sections I.7 and I.9 of the Annex, the budget did not make full allowance for office facilities in a number of locations such as China and India and costs in other areas are higher than budgeted. With the opening of the Moscow Office, substantial additional costs will be experienced in FY 1992 and in later years. At this point, an amount of \$455,000 is requested for the opening of the Moscow Office. This includes \$205,000 for office rental and the remainder represents nonrecurring costs. In addition, \$150,000 will be required for additional residential expenses in the U.S.S.R.

5. Increased contractual translation and interpretation services \$335,000

Higher translation and interpretation costs are expected with the increasing work of the Fund in the U.S.S.R. and its constituent republics. Already this year sharp increases in work load have been experienced and funds set aside for contractual translation services are being used up rapidly. It is proposed to double the amount of these funds at this time.

6. Increased training activities \$300,000

A review of training activities indicates that an additional \$300,000 will be necessary to meet current demands. This amount includes \$130,000 for career and management consulting, \$55,000 for individual study programs, \$50,000 for language training, \$50,000 for microcomputer technology training, and \$15,000 for the Career Development and Learning Center. Given

the priority of maintaining a well-trained staff at the Fund and the large influx of new staff members, these funds have been included in the supplementary appropriation in order that there will not be a disruption in these activities.

7. Other factors \$1,615,000

Expenses which are not specifically related to items 1 through 6 above are likely to exceed the authorized amount by about \$1,615,000. As explained on a category-by-category basis in Section I of the Annex to this paper, increases in some areas (most notably, the remuneration of Executive Board members and their Advisors, medical benefit plan costs, cost of the Annual Meetings, expenses for supplies and equipment) are partially offset by reduced expenditures in other areas (most notably savings related to staff salaries and cost-of-living adjustments).

On the basis of the elements indicated above, I seek authorization for a supplementary appropriation amounting to \$13,705,000. While in future months other changes will undoubtedly occur which cannot be foreseen at this time, every effort will be made to find savings which can be used to offset unexpected cost increases.

I. Midyear Review of Administrative Expenses

1. Introduction

This review is presented in terms of the ten "object of expense" categories and one "reimbursement" category relating to administrative expenses. These categories are used by the Executive Board when authorizing expenditures.

The Administrative Budget for FY 1992, as approved by the Executive Board on April 24, 1991 (EBM/91/62), amounted to \$330,140,000. On present trends the expected outturn for the full year might exceed the approved budget by an estimated \$1,615,000, as shown in Table 3, which compares the approved budget with current estimated expenditures under that budget, together with total expenditures for the year, including expenditures under the proposed supplementary appropriation.

Table 3. Midyear Expenditure and Supplementary Estimates  
for FY 1992 Compared with the Approved Budget

(In thousands of U.S. dollars)

Object of Expense Category	Approved Budget	Expected Outturn	Total Amount	Revised Estimate (Including Supplementary Appropriations)	
				Increase + Decrease -	Change from Approved Budget Percent Change
<u>Personnel Services</u>					
Salaries	152,065	153,170	156,970	4,905	3.2
Other personnel expenses	<u>81,060</u>	<u>81,750</u>	<u>83,940</u>	<u>2,880</u>	<u>3.6</u>
Subtotal	233,125	234,920	240,910	7,785	3.3
<u>Travel</u>					
Business travel	28,955	29,205	32,055	3,100	10.7
Other travel	<u>17,380</u>	<u>17,780</u>	<u>18,240</u>	<u>860</u>	<u>4.9</u>
Subtotal	46,335	46,985	50,295	3,960	8.5
<u>Other Administrative Expenses</u>					
Communications	7,740	7,850	7,850	110	1.4
Building occupancy	21,985	21,900	22,415	430	2.0
Books and printing	6,575	6,520	6,520	-55	-0.8
Supplies and equipment	6,055	6,405	6,645	590	9.7
Data processing	16,415	16,415	18,115	1,700	10.4
Miscellaneous	<u>5,540</u>	<u>5,615</u>	<u>5,950</u>	<u>410</u>	<u>7.4</u>
Subtotal	64,310	64,705	67,495	3,185	5.0
<u>Reimbursements</u>	<u>-13,630</u>	<u>-14,855</u>	<u>-14,855</u>	<u>-1,225</u>	<u>9.0</u>
Total	<u>330,140</u>	<u>331,755</u>	<u>343,845</u>	<u>13,705</u>	<u>4.1</u>

2. Salaries

This category covers the remuneration for Executive Directors, their Alternates and Advisors, and salaries of assistants, as well as of staff, technical assistance experts, and consultants. It is estimated that expenses in this category will be \$1,105,000 more than the approved budget of \$152,065,000. (These amounts exclude the requested supplementary appropriations.) The additional amount reflects (i) the higher remuneration of Executive Board members and their Advisors effective July 1, 1991 (\$520,000), and (ii) the cost of additional experts funded through the second grant to the Japan Administered Account (\$1,045,000). The precise amounts and the timing of the second grant were not yet known when the FY 1992 budget was formulated. These increases are largely offset by savings of \$550,000 occurring in staff salaries resulting from the replacement of higher paid staff by lower paid staff (\$400,000) together with lower than anticipated cost-of-living adjustments for staff in Paris and Geneva Offices (\$150,000).

3. Other Personnel Expenses

This category covers other personnel expenses relating to Executive Board members, their Advisors and assistants, staff, technical assistance experts, and participants in the IMF Institute training program. These expenses include Staff Retirement Plan contributions; tax, dependency, education, settlement, study, and overseas allowances; training; accrued unused annual leave and separation grants; separation incentives; medical and life insurance contributions; social and welfare expenses; and living allowances for IMF Institute participants. The revised estimate includes an additional \$450,000 reflecting experience of higher than expected costs of the medical benefit plan under the new cost-sharing ratio and an additional \$180,000 for higher education allowances.

4. Business Travel

This category covers transportation costs, per diem allowances, and incidental costs of business travel of Governors, Executive Directors, and staff, including attendance at the Annual Meetings and meetings of the Interim and Development Committees. The overall expenditures are estimated to be \$250,000 more than the approved budget of \$28,955,000 on account of higher than projected costs of the Annual Meetings in Bangkok. Expenses in the other business travel category are expected to remain within the amount budgeted. Although indications are that the volume of travel (excluding travel to the Soviet Union) will be slightly lower than anticipated, it will be offset by an increase in the average cost of a business trip (both airfares and per diem), which is expected to be 3 percent higher than the original estimate.

5. Other Travel

This category covers non-business travel of Executive Directors, staff, technical assistance experts, and IMF Institute participants. It also covers the travel costs of officials and non-officials attending Fund-sponsored seminars. Types of travel included are settlement (appointment and repatriation), home leave, education, study, emergency travel, etc. It is expected that expenses (excluding those related to work in the Baltic states, U.S.S.R. and the republics) will be \$400,000 more than the approved budget of \$17,380,000 mainly because of increased costs for settlement travel of technical assistance experts.

6. Communications

This category covers the cost of postage, freight, telephone (including facsimile) and telegraph services. It is estimated that expenses will be \$110,000 higher than the approved budget of \$7,740,000 because of a higher than anticipated increase in the use of facsimile and long distance calls.

7. Building Occupancy

Included in this category are the cost of maintaining and operating the Fund's buildings, the cost of utilities, building alterations expenses, and the rental of commercial office space in Washington and elsewhere. Also included are payments made to the World Bank for joint facilities located in World Bank premises. Payment received from the World Bank for joint facilities housed in Fund premises and Concordia revenue are included in the reimbursement account below. Expenses (excluding additional costs of office facilities related to the work on the Baltic states and the U.S.S.R.) are expected to be \$85,000 less than the budgeted amount of \$21,985,000. The decrease is expected from lower building alteration costs, vendor payroll costs, utility costs, partially offset by unanticipated extent of costs related to the establishment of posts for resident representatives in several countries including China and India, and rental expenses for additional leased space.

8. Books and Printing

This category covers the cost of books and periodicals for departments and the Joint Library as well as the contractual printing costs of Fund publications. It is expected that expenditures will be within the budgeted amount of \$6,575,000.

9. Supplies and Equipment

This category includes expenditures for the provision and maintenance of furniture and equipment (excluding data processing or communications equipment), and for the Fund's use of expendable office supplies. It is expected that expenses (excluding additional supplies and equipment

associated with the work on the Baltic states and the U.S.S.R.) will be \$350,000 more than the budgeted amount of \$6,055,000. The increase is primarily due to costs related to the establishment of posts for resident representatives in several countries, including China and India, as well as higher equipment maintenance costs at headquarters.

10. Data Processing

This category includes the costs of equipment, software, and related expenses for services provided by companies. Based on the level of expenditures for the first six months, it is estimated that all funds budgeted in this category will be expended. Additional needs in this category will be met by the proposed supplementary budget.

11. Miscellaneous

This category provides for the cost of representation, insurance, miscellaneous contractual services, and sundries. Expenses in this category will be \$75,000 more than the budget of \$5,540,000 reflecting higher expenses for insurance premiums.

12. Reimbursements

This category includes reimbursements for administrative services to the World Bank under the Fund-sponsored sharing agreements, direct cost reimbursements for technical assistance projects financed through the Japan Administered Account, support cost reimbursements for work done for UNDP and the Japan Administered Account, cash contributions by member countries towards the cost of expert services provided by the Fund, publications income, Concordia/Bond apartment guest charges, and payments by the Fund's travel agency for office space and other services. It is estimated that the budgeted receipts of \$13,630,000 will be exceeded by \$1,225,000. As explained in Section 1, the reimbursements from the Japan Administered Account which were not included in the original budget estimate and which total \$1,220,000 in salaries and benefits are now recognized in this category. It is expected that Concordia revenue will be somewhat less than originally expected due to higher usage by Institute participants.

II. Midyear Review of Capital Budgets

This section reviews the capital budgets that have been approved for projects beginning in FY 1989 through FY 1992. The Executive Board authorizes capital expenditures by category, i.e., for headquarters building projects, for building facility projects at other locations, and for data processing projects. The capital project budgets are proposed on a multiyear basis and their status is reviewed twice a year, most recently in EBAP/91/76, Supplement 1 (April 4, 1991).

1. FY 1992 Capital Budget

The FY 1992 Capital Budget of \$18 million was approved in two stages. On April 24, 1991 (EBM/91/62) the Executive Board approved six building facilities projects and an electronic data processing project for network control equipment (\$9.7 million). On July 12, 1991 (EBM/91/91) the Executive Board approved the Phase III/ Headquarters Planning and Design project (\$8.3 million). While in total the multiyear capital budget for FY 1989 through FY 1992 will not exceed the total approved budget, it is proposed to reallocate \$1.7 million to the FY 1992 budget from the FY 1990 budget and \$0.6 million within the FY 1992 budget. The combined \$2.3 million will be used to upgrade the Fund's telephone switching equipment and thereby prevent a serious breakdown in the Fund's communication system. Table 4 summarizes the category budgets and the estimated expenses by financial year.

Table 4. Review of FY 1992 Capital Budget  
and Revised Estimate of Expenses

(In millions of U.S. dollars)

Budget Category	Budget	Expenditures		
		FY 1992 Estimate	FY 1993 Estimate	FY 1994 Estimate
Building Space Facilities				
Headquarters	13.0	4.8	7.7	0.5
Other locations	3.2	2.7	0.5	0.0
EDP equipment	<u>1.2</u>	<u>1.0</u>	<u>0.2</u>	<u>0.0</u>
Total	17.4	8.5	8.4	0.5
Telephone system upgrade <u>1/</u>	<u>2.3</u>	<u>2.0</u>	<u>0.3</u>	-
Total	<u>19.7</u>	<u>10.5</u>	<u>8.7</u>	<u>0.5</u>

1/ Includes \$1.7 million in funds proposed to be transferred from FY 1990 capital budget, and \$0.6 million from the other locations category in the FY 1992 capital budget.

a. Projects at headquarters

The projects approved at headquarters include the Phase III/Headquarters Planning and Design project (\$8.3 million), a new fire alarm system (\$2.2 million), the renovation of office space after personnel and equipment are relocated to new leased space at International Square (\$2.1 million) and improvements to the Phase II bank of elevators (\$0.4 million).

In connection with the Phase III/Headquarters Planning and Design project, the architect has been selected and work has begun on the international competitive bidding process for the selection of the construction manager/general contractor. The elevator improvements are expected to be completed next year, and the new fire alarm system is expected to be completed in late spring of 1993. Once personnel and equipment are relocated to new leased space in International Square in early 1993, headquarters space will be renovated for occupancy.

During FY 1992 there has been an increasing number of Fund telephone system outages and equipment failures. This has necessitated advancing the scheduled upgrade of telephone switching gear from FY 1993 to FY 1992. This need was confirmed by an independent study which concluded that a significant and growing risk of extended outages existed and that the system should be upgraded immediately. The total cost of the upgrade is \$2.3 million, of which \$0.6 million would be reallocated from other communications work in the FY 1992 capital budget, and \$1.7 million would be reallocated from funds remaining in the FY 1990 capital budget.

b. Projects at other locations

Projects at other locations include improvements to the roadways at the Bretton Woods Recreation Center (\$0.3 million), the replacement of some furnishings at the Concordia Apartment complex (\$0.2 million) and the fit-out of approximately 38,000 square feet of new leased space at International Square (\$3.3 million). The new leased space is being used to relocate a variety of organizational units to accommodate approved FY 1992 staff increases.

The project for fitting out and relocating units to International Square is underway. Several units have been moved already, and more are scheduled to be moved over the course of the next nine months. It is now projected that leased space in addition to that initially projected will be needed to accommodate the relocation of staff to International Square thereby freeing space at headquarters for new staff. To this end approximately 33,000 square feet of additional space has recently been leased on a short-term basis to accommodate some staff increases and reorganizations proposed for FY 1992. The existing offices in this space can be used to a large extent in their present condition and the proposed renovations can be accommodated within the approved budget.

In order to accommodate projected staff increases over the medium term, additional space is required. First, a block of approximately 62,000 square feet of space at International Square has been leased in connection with plans to move additional support units, including major elements of the Administration Department, out of headquarters in the spring of 1993. Second, it is proposed to lease up to another 60,000 square feet of office space which will be available to support incremental increases in staff approved over the medium term. A capital budget request to fit-out that space and any space vacated at headquarters would be proposed to the Executive Board in conjunction with the FY 1993 capital budget. In addition, the leasing costs for this space will be proposed as a part of the Administrative Budget.

c. EDP systems

The network controllers project is proceeding satisfactorily; however, the number of connection requests may increase during FY 1992 beyond the initial project estimates.

2. FY 1991 Capital Budget

The FY 1991 Capital Budget of \$5.7 million was approved by the Executive Board on April 23, 1990 (EBM/90/64). Four building-related projects were approved at headquarters and the Concordia Apartment complex, and one EDP project was approved for the replacement of office automation equipment. Information so far available does not indicate any necessity to revise the budgeted amounts. Table 5 summarizes the project budgets and estimated expenses by financial year.

Table 5. Review of FY 1991 Capital Budget  
and Revised Estimate of Expenses

(In millions of U.S. dollars)

Budget Category	Budget	Midyear Estimate	Midyear Estimate Compared to Budget	
			Increase + Decrease	Percent Change
Building Space Facilities				
Headquarters	1.6	1.6	-	-
Other Locations	0.5	0.5	-	-
EDP Equipment	4.0	2.8	-1.2	-30.0
Less: Unisys sale	<u>-0.4</u>	<u>-0.4</u>	-	-
Total	<u>5.7</u>	<u>4.5</u>	<u>-1.2</u>	<u>-21.1</u>

a. Projects at headquarters

Projects approved for headquarters include improvements to rest rooms in the Phase I section of the building, the replacement of the Phase I roof that was leaking, and the replacement of worn out electrical circuit breakers. These projects are expected to be completed within the budget estimates during FY 1992 or early in FY 1993.

b. Projects at other locations

The Concordia Waterproofing project is proceeding with exterior repairs to the North wall, interior repairs, and improvements to correct water and moisture problems. A comprehensive structural review of the building is being planned which will provide the basis for preparing a longer term plan for capital improvements for the Concordia/Bond buildings and facilities.

c. EDP equipment

The NBI Replacement project will be completed in FY 1992 on schedule. The scope of the project was limited to replacing outdated NBI word processing and automation equipment in nine departments. The project will cost no more than \$2.8 million which is \$1.2 million or 30 percent less than the budget. The costs are lower than budgeted because of three factors: (1) it was not necessary to use the \$0.5 million reserved for contingencies; (2) bulk purchases resulted in lower prices (\$0.5 million); and (3) lower installation costs (\$0.2 million).

During the course of FY 1992, several departments that were not included in the original project plans have requested automation upgrades. It is planned to meet these requests to the extent possible from available funds in this budget.

The sale of the Unisys mainframe computer to the World Bank took place in FY 1991 as planned.

3. FY 1990 Capital Budget

The FY 1990 Capital Budget of \$9.7 million was approved by the Executive Board in two phases. On April 24, 1989 (EBM/89/44) \$5.8 million was approved for six projects at headquarters and three at other locations. On April 23, 1990 (EBM/90/64) \$3.9 million was authorized for the second phase of fit-out and renovation plans for additional leased space at International Square and vacated space at headquarters. Table 6 summarizes the category budgets and revised estimate of expenditures.

Table 6. Review of FY 1990 Capital Budget  
and Revised Estimate of Expenses

(In millions of U.S. dollars)

Budget Category	Revised Budget <u>1/</u>	Midyear Estimate	Midyear Estimate Compared to Budget	
			Increase + Decrease -	Percent Change
<b>Building Space Facilities</b>				
Headquarters <u>2/</u>	4.7	4.6	-0.1	-2.1
Other Locations <u>3/</u>	<u>5.0</u>	<u>3.4</u>	<u>-1.6</u>	<u>-32.0</u>
Total	<u>9.7</u>	<u>8.0</u>	<u>-1.7</u>	<u>-17.5</u>

1/ EBM/90/64, 4/23/90.

2/ Includes Life Safety Systems, Asbestos Abatement, Graphics Improvements, Induction Valves, Office Renovations, and Executive Board Sound System Projects.

3/ Includes International Square, BWRC Roadways, and Annual Meetings Telephone System Projects.

a. Projects at headquarters

Projects at headquarters will be essentially completed by the end of FY 1992. Overall, the cost of projects at headquarters are estimated at midyear to be about as budgeted, \$4.6 million.

b. Projects at other locations

The three projects approved as a part of this category can be satisfactorily completed this year at lower than expected costs primarily because substantial cash fit-out allowances were negotiated in the leasing arrangements with the landlord at International Square, fit-out costs are proving to be less than the original estimates, and the planned expansion of the telephone switch at International Square is no longer necessary due to the decision to purchase a new switch for the entire Fund. Expenditures in this category will be limited to \$3.4 million, and \$1.7 million in available funds will be transferred to the telephone system project.

4. FY 1989 Capital Budget

The Executive Board approved a FY 1989 Capital Budget of \$3,425,000 for six projects at EBM/88/65 (April 25, 1988). On November 21, 1988

(EBM/88/169) the Board approved \$30,000,000 for the acquisition of the Western Presbyterian Church (WPC) property, and for the Fund to take action to secure appropriate zoning and other municipal approvals on the basis of the plan outlined in Part IV of EBAP/88/197 (August 9, 1988). And on January 12, 1990 at EBM/90/4 the Board approved an additional \$615,000 for the completion of headquarters projects. Table 7 summarizes the category and WPC budgets, and revised estimate of expenditures.

Table 7. Review of FY 1989 Capital Budget and Revised Estimate of Expenses

(In millions of U.S. dollars)

Budget Category	Revised Budget	Midyear Estimate	Midyear Estimate Compared to Budget	
			Increase + Decrease -	Percent Change
Building Space Facilities				
Headquarters	3.5	3.5	-	-
Other Locations	0.4	0.4	-	-
EDP Equipment	<u>0.1</u>	<u>0.1</u>	-	-
subtotal	4.0	4.0	-	-
WPC	<u>30.0</u>	<u>30.0</u>	-	-
Total	<u>34.0</u>	<u>34.0</u>	-	-

a. Projects at headquarters

Of the four projects approved at headquarters, all but one, the Concourse level improvements project, have been completed. That project includes improvements to the Communications Division which cannot be completed until a new cable service vendor is selected and any equipment changes are incorporated into the construction plans. The revised completion schedule is the fall of 1992. Costs for all headquarters projects are expected to be within budget.

b. Projects at other locations

The BWRC Water and Sewer Improvements project budgeted at \$0.4 million is partially completed. The water improvements are complete, but delays in obtaining permits for the sewer improvements from various governmental regulatory agencies have slowed the completion of this portion of the project. Costs may increase as a result of the delays.

c. EDP Equipment

EDP equipment was purchased as planned and within the project budget.

d. Western Presbyterian Church Property

This project includes the acquisition of zoning approval for the construction of Phase III, as well as the acquisition of the Church property and construction of a new church building on Virginia Avenue. The applications for Phase III have been submitted to the district zoning commission and the Fund is awaiting its decision, which is expected soon. The construction documents for the church are complete, and a construction manager has been selected. The start of construction is delayed pending resolution of an application by the Foggy Bottom Neighborhood Association to designate the existing church an historic landmark. A hearing is scheduled for December 18, 1991. If the Fund is successful, subcontract bidding can begin. Church construction should commence by early spring, and should take 18 months for completion. \$18.2 million has been expended so far.

