

**LAPSE OF
TIME**

EB/CAM/19/4

February 26, 2019

To: Members of the Committee on Executive Board Administrative Matters

From: Gilles Bauche, Committee Secretary

Subject: **Offices of Executive Directors—FY2020 Budget Envelope—Proposed Formulation to Reflect New Constituency Alignments**

Committee Action: Committee Members' **consideration** on a lapse of time basis

Deadline to Request a Committee Meeting, after which Proposed Recommendation Deemed Approved: **Thursday, February 28, 2019 12:00 (noon)**

Questions: Mr. Bauche, SEC (ext. 36764)
Ms. Michaels, SEC (ext. 35451)
Ms. Llames, SEC (ext. 34524)

Additional Distribution: Members of the Executive Board



February 26, 2019

OFFICES OF EXECUTIVE DIRECTORS—FY2020 BUDGET ENVELOPE—PROPOSED FORMULATION TO REFLECT NEW CONSTITUENCY ALIGNMENTS

EXECUTIVE SUMMARY

This paper presents a formal recommendation to the CAM for its consideration, reflecting the Committee's discussion on February 14, 2019 on the appropriate size of the OED budget envelope in FY2020. At that meeting, most CAM members and other chairs considered that the FY2020 OED budget envelope should be reduced relative to that of FY2019 to reflect a contraction in the number of budgeted OED positions following the 2018 Regular Election of Executive Directors. The resulting saving could be redeployed to meet other institutional priorities within the Fund's net administrative budget envelope. In the discussion, Directors emphasized that the OED budget framework establishes a binding commitment on the institution to finance any future increase in the number of budgeted OED staff positions—as mandated by the OED staffing norms—resulting from possible future changes in the constituency alignments of member countries.

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BACKGROUND

1. **On Thursday, February 14, 2019, the Committee on Executive Board Administrative Matters considered the appropriate size of the OED budget envelope in FY2020.** The Committee noted that in the 2018 regular election of Executive Directors three member countries changed their constituency. This realignment has reduced the total number of budgeted OED staffing positions under the OED budget framework below the level which needed to be financed in FY2019. The new constituency alignments effective May 1, 2019 imply a reduction equivalent to one Senior Advisor position and two Advisor positions, or \$0.8 million of budgeted resources, relative to the size of the FY2019 OED budget (excluding travel to the Annual Meetings abroad). In light of these changes, the staff sought CAM's guidance on whether the OED net budget envelope in FY2020 should be adjusted by removing these surplus personnel resources, or if the budget should remain at the FY2019 level in real terms, with the surplus personnel resources held at the center as unallocated structural surplus.
2. **Most CAM members and other Directors favored reducing the OED budget envelope in FY2020 to remove resources that are no longer mandated by the OED budget staffing norms.** These Directors considered that spare resources should be available to meet priority needs of the membership. Moreover, as there is currently no mechanism for redeploying the released personnel resources within the OED envelope, it would be preferable to remove them rather than accumulate a larger unallocated surplus at the center of the OED budget; however, a few Directors noted that retaining those surplus resources in the unallocated surplus could safeguard their availability for possible future needs. Most chairs considered it would be appropriate to redeploy these resources to meet other priorities within the Fund's administrative budget, rather than to fully remove them from the Fund's overall net administrative budget envelope.
3. **At the same time, it was recognized that future changes in constituency profiles could again increase the number of OED staffing positions in line with the provisions of the OED budget frameworks.** A decision at this time to reduce the OED budget envelope in FY2020 to reflect the new constituency alignments currently in force should therefore be contingent on recognition that the OED budget staffing norms establish a binding obligation on the institution to finance the number of positions prescribed by those norms. The modalities for addressing such an increase will either take place through absorption of available resources within the budget and/or an additional appropriation to accommodate the prescribed positions.
4. **In light of these views, the CAM proposes the FY2020 OED budget envelope should be formulated on the basis presented in the recommendation below.**

Proposed Recommendation

It is proposed that the Committee on Executive Board Administrative Matters recommend the following decision for adoption by the Executive Board:

- (i) The FY2020 OED budget envelope shall be adjusted down by \$0.8 million relative to the FY2019 net administrative budget, excluding the provision for the Annual Meetings travel, to reflect a structural reduction in the total number of budgeted OED staff positions under the OED personnel budget staffing norms, as a consequence of the outcome of constituency changes arising from the 2018 Regular Election of Executive Directors.
- (ii) The resources released from the FY2020 OED budget envelope shall be retained in the Fund's net administrative budget envelope and may be redeployed to meet other institutional priorities. If future changes in constituency composition generate a net increase in OED staffing budget entitlements in line with the approved OED personnel staffing budget norms, such additional positions shall be fully financed in accordance with the obligation that the budget staffing norms establish on the institution.