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CONFIDENTIAL

COMMITTEE ON EXECUTIVE BOARD ADMINISTRATIVE MATTERS

Meeting 84/1
11:00 a.m., February 9, 1984

A. Kafka, Chairman

Executive Directors

A. Alfidja
A. Donoso

R. K. Joyce
L. Malhotra

Zhang Z.

Alternate Executive Directors

S. R. Abiad, Temporary

A. S. Jayawardena
T. A. Clark

A. Wright, Secretary
J. A. Kay, Assistant

Also Present

A. R. G. Prowse

H. G. Schneider
D. C. Templeman, Temporary
G. Grosche

O. Kabbaj

Administration Department: D. A. Anderson, J. D. Huddleston.
Legal Department: J. G. Evans, Jr., Deputy General Counsel.
Secretary's Department: R. S. Franklin, B. R. Hughes, M. J. Papin.
Treasurer's Department: R. Nož. Advisors to Executive Directors:
H. A. Arias, L. K. Doe, Y. Okubo. Assistant to Executive
Director: G. W. K. Pickering.

1. REPRESENTATION EXPENSES OF EXECUTIVE DIRECTORS

The Chairman explained that four suggestions for changing the rules governing representation expenses for Executive Directors had been set out on page 1 of EB/CAM/84/5 (2/4/84). He proposed that Committee members should discuss the first three suggestions in turn. As to the fourth suggestion--that the present limit of "\$40 per person up to a maximum of \$400 for each luncheon, cocktail reception, dinner, or other meal" should be reviewed--he had asked the staff to prepare a list of the increases in restaurant costs since the matter had previously been studied. The results of that work would be available in two weeks or so. There could therefore be no decision on that item at the present meeting.

The Committee members agreed to act as proposed by the Chairman, and turned to the first suggestion in EB/CAM/84/5.

- (a) Commercial bankers should be added to the categories of persons who may be entertained in connection with official Fund business

Mr. Zhang suggested that if Executive Directors were to be reimbursed for entertaining commercial bankers, they might also be reimbursed for entertaining senior officials of international banks. Moreover, there were some banks run by governments that could perhaps not be considered commercial banks in the strict sense, whose officials Executive Directors might wish to entertain. He could see that in future commercial banks and the like, as well as international banks, might be more concerned than in the past with the Fund's affairs, particularly with debt rescheduling.

Mr. Clark said that he had no difficulty with the idea in general, although formally the United Kingdom conducted its relations with commercial banks through the Minister (Economic) at the Embassy rather than through the Executive Director's office. He would have no objection to extending the rule for those who might find it useful.

Mr. Malhotra stated that he had recently had contact with a number of banks from his constituency that had been involved in international lending operations, and it was by no means certain that that type of involvement would not expand in the future. He had therefore no objection to the proposal.

Mr. Joyce said that there was often a necessity to establish closer contacts with commercial banks, not only in connection with rescheduling or additional lending, but also to ensure that the commercial banks were better informed than they had been about the general nature of the Fund's activities. He had, for instance, found it important to ensure that Canadian banks had been informed of the meaning of the Fund's quota increase. He therefore strongly supported the proposal.

Mr. Abiad remarked that Mr. Zhang had suggested that representation should be extended to cover entertainment of senior officials of international banks, by which he understood, for instance, the Bank for International Settlements. The same rule should apply to intergovernmental financial and development institutions, such as the Arab Monetary Fund.

Mr. Donoso and Mr. Alfidja said that they had no objection to the proposal, as amended by previous speakers.

Mr. Kakfa, speaking as a member of the Committee, observed that he had had considerable contact with commercial banks, and yet, although he, like the U.K. Director, had a dual role in the Fund, he had never had to invite a representative of a commercial bank. Nevertheless, he would not object to the proposal.

Mr. Grosche stated that he favored including commercial bankers among those who might be entertained by Executive Directors. Like others, his office had noted the increased interest of commercial banks in the activities of the Fund. His office was willing to provide them with additional information on such matters as debt problems and the like, but his office was also eager to preserve the Fund's role as an intergovernmental institution that ought not to deal with private commercial banks on an equal footing. His Executive Director was therefore reluctant to be entertained by commercial bankers. On the other hand, entertainment was sometimes inevitable, and it was preferable to entertain commercial bankers than to be entertained by them. He could therefore support the proposal as extended by Mr. Zhang and Mr. Abiad.

Mr. Kabbaj remarked that it was evident that the Executive Directors were not all interested in the same kind of bankers or international institutions. It might therefore be desirable to invite the staff to explore the matter further. There seemed to be a good argument for extending entertainment to senior officials of regional institutions and international commercial banks. He would therefore like the staff to come up with a more comprehensive proposal after discussion with Executive Directors.

Mr. Schneider asked what the arrangements were for senior staff in entertaining officials from commercial banks, with whom the Fund had recently had much closer relations than previously. He also wondered exactly what was covered by the arrangement for reimbursement for "(iii) other occasions--by special memorandum which should be reviewed and initialed by the head of department, bureau, or office before being sent to the Treasurer" in Section 7 of Annex III setting forth the rules for representation expenses of the Fund staff.

The staff representative from the Administration Department explained that the passage to which Mr. Schneider referred was the procedure for claiming reimbursement as an alternative to signing the menu in the dining room or a travel claim form. The general rule with regard to entertainment of commercial bankers by the staff was set out in paragraph 3 of Annex III.

Mr. Schneider said that he concluded that, unlike the Executive Directors, the staff was entitled to entertain commercial bankers.

Mr. Zhang remarked in passing that he found it distasteful to have to list his guests' names on the back of the menu when entertaining in the Dining Room.

The Chairman explained that, provided he signed the menu, an Executive Director could request reimbursement by a simple memorandum with the same information.

Mr. Prowse said that he could support not only the proposal in paragraph (a) but also the extension that was being proposed. More broadly, he wondered why it was necessary to have two different sets of categories for persons eligible for entertainment, one set by Executive Directors

and the other by the staff, especially as paragraph 3(e) in Annex III read "(e) other individuals not receiving remuneration from the Fund with whom contact is appropriate in the interest of the Fund." That seemed to be a very broad category indeed. The language might however be appropriate for describing persons whom Executive Directors might entertain and then claim reimbursement. He would be happy to discuss the wider question of why there should be a disparity between the representation arrangements for Executive Directors and staff either at the present meeting or later.

The Chairman explained that the difference was largely one of supervision. It was assumed that staff members always had superiors who could disallow the reimbursement if they thought the entertainment inappropriate, while Executive Directors did not. It was up to the Committee to decide whether to propose to the Board of Governors that Executive Directors should receive reimbursement "for entertainment of individuals not receiving remuneration from the Fund with whom contact is appropriate in the interests of the Fund," excluding officials from other financial organizations with a seat in Washington, or whether they wished to adhere to the categorizations that were intended to control excessive expenditure.

Mr. Zhang inquired whether the representation allowance received by Executive Directors did not cover entertainment.

The Committee Secretary explained that in recent times the Joint Committee on the Remuneration of Executive Directors and their Alternates had endorsed the maintenance of the supplemental allowance as a separate part of Executive Directors' remuneration. The purpose of that allowance had been defined as reflecting the housing and representation costs and other unusual expenses associated with the position of Executive Directors. Many organizations offered a nonaccountable allowance that would cover entertainment of the sort set out in paragraph 3(e) in Annex III. Those organizations often offered in addition an accountable representation allowance for expenditures directly related to the official business of the organization, which would be reimbursed on the presentation of invoices. The staff, naturally, did not have a nonaccountable allowance; on the other hand, it had salaries that were supposed to be sufficiently high without it.

The Chairman suggested that, if Mr. Prowse was agreeable, the Committee should set aside for the time being the broader question of parallelism in representation allowances between Executive Directors and staff, and confine itself to approving the proposal in paragraph (a) as extended by Mr. Zhang and Mr. Abiad.

Mr. Templeman asked the Chairman to explain what his proposal would cover.

The Chairman explained that in his understanding, the proposal meant that the institutions from which officials could be entertained and reimbursement claimed would be commercial banks, whether privately or state owned, international financial institutions, and intergovernmental financial institutions including development institutions, other than those with headquarters in Washington.

Mr. Donoso inquired whether the people who could be entertained would include, for instance, an advisor to a commercial bank. His own view was that entertainment could be extended to persons closely connected with commercial banks, even if they were not working for them full time.

The Deputy General Counsel felt that if the Committee wished to go as far as Mr. Donoso was suggesting, it would be important to spell out its wishes in some detail. At present, the rule in the By-Laws referred only to full-time employees of central banks and the like. But the definition was entirely a matter for the Committee to consider.

The Chairman suggested that the categories of persons who could be entertained under the expanded rule should be left to the good sense of Executive Directors. To try to write an exact definition would be an endless task.

The Committee Secretary asked whether the rule would apply not only to bankers and others from an Executive Director's constituency but also to those concerned with providing finance to members of the constituency although they themselves might be from elsewhere.

Mr. Joyce replied that he envisaged extending the rule to cover both the categories mentioned by the Committee Secretary. As to the level at which a person was employed, he had found that it was often more important to talk to people who were not necessarily in the highest levels of management but were in fact concerned with research for a bank or international institution. They corresponded quite closely to the members of the academic community covered elsewhere.

The Chairman remarked that, in the circumstances, he understood that Committee members agreed to adopt the proposal in paragraph (a) as extended by Mr. Zhang and Mr. Abiad, on the understanding that the persons entertained need not be from a country in an Executive Director's constituency, but could also be concerned with providing finance for countries in a constituency, although they themselves were from elsewhere. Naturally, all the proposals resulting from the present discussion would be circulated later because they would require an amendment to the By-Laws; in any event, the Committee members had also to decide on the level of the representation allowance, a topic that they would not discuss during the present meeting.

- (b) The category "persons prominent in the academic communities of the members that appointed, elected, or designated them" should be expanded

Mr. Donoso explained that he had put forward the proposal. There were academics carrying out analysis on countries in his constituency with whom he would like to have discussions even though they were not from countries within his constituency. The present concept was very limiting because there were many observers and students of countries throughout the world who were not nationals of those countries. He would like to be reimbursed for entertaining prominent academics from anywhere, who might be studying subjects of general importance.

Mr. Alfidja and Mr. Abiad both said they had no problem with Mr. Donoso's proposal.

Mr. Joyce said that he too would support Mr. Donoso for the reasons he had explained. The Executive Board ought to open up the field of discussion with academics. It did not make sense to confine reimbursement for representation to entertainment for academics from an Executive Director's own country, or even to academics studying countries in an Executive Director's constituency. Executive Directors ought to be able to entertain academics who were carrying out work that was relevant to the institution at large, and the Committee should place its faith in the discretion of Executive Directors. Indeed, he wondered why the present rules were so restrictive.

The Chairman, acknowledging Mr. Joyce's observations, explained that for many years Executive Directors had had a fixed per diem when traveling, when the staff had been allowed to charge hotel expenses to the Fund on the grounds that he had explained, namely, that the staff had superiors to oversee their expenditures, while the Executive Directors had no one. That arrangement too had been changed for the Executive Directors in the recent past.

Mr. Malhotra commented that he had found it difficult to interpret the phrase "a person of prominence in the academic communities of the countries concerned." Receiving academics was certainly an area in which the Fund needed to be more liberal, especially in view of the growing debate on the international monetary system, in which he became involved with many people not necessarily from his own constituency. Directors needed to entertain more broadly, not only in connection with the debate on the international monetary system, but also in order to explain more clearly what the Fund was doing. More contact between Executive Directors and economic journalists, particularly outside the United States, would be useful to the Fund; and such a contact could reasonably be covered by representation expenses.

Mr. Clark said that he too would support Mr. Donoso's proposal, but, more broadly, he wondered what categories of persons the rules were supposed to exclude. If the definition of the banking community had been extended and it was now intended to do the same for the academic community, perhaps it would be better to start from the other end, with a rubric, such as "persons in professional contact with the Fund. The persons entertained should have an evident and reasonable relationship to furthering the interests of the Fund." Trying to list in precise terms which categories were acceptable and which were not seemed unnecessary.

Mr. Zhang remarked that Mr. Clark's proposal made sense.

Mr. Templeman commented that the four paragraphs on which Committee members had been asked to comment were cogently written, but the staff paper did not contain any explanation of why the proposed changes should

be made. For instance, there was a considerable difference between saying that Executive Directors should be reimbursed for entertaining certain closely defined categories of people and adopting the principle put forward by Mr. Prowse and Mr. Clark that there should be a single broad category, that seemed to be nearly all-embracing. For many years the Executive Directors had been acting in one way, and it seemed surprising to him that they should, without explanation, suddenly decide to act in the other. As to paragraph (b), while he could see that there was something to be said for expanding the language in the way suggested by Mr. Donoso, there should at least be a qualifying phrase to indicate that the academics were reasonably related to the work of the Fund.

Mr. Clark wondered whether a better procedure would be to control expenditure by means of a budget or similar technique rather than by defining the categories of persons who could be entertained. The staff might put forward proposals for controlling overall representation expenditure.

The Chairman mentioned that it had been called to his attention that there were categories of people who were at the level of assistant but not at the level of Executive Director, Alternate, or Advisor, whom it might be interesting to entertain, meaning specifically people who participated in Fund courses.

Continuing, the Chairman proposed that the staff should put forward a proposal by which Executive Directors should be reimbursed for entertaining academics as defined by Mr. Donoso and further extended by Mr. Clark. The Committee could review the staff work on the occasion of its next meeting, which would be in March 1984.

- (c) The rules for the reimbursement of representation expenses...should be extended to cover also assistants to Executive Directors when they travel outside Washington on official business of the Fund...

Mr. Zhang considered that the proposal was quite reasonable, especially for multicountry constituencies, where Assistants sometimes had to act for Executive Directors. He could agree that the reimbursement should require prior permission of the Executive Director.

Mr. Clark remarked that he was not very happy with the proposal. Certainly in the U.K. office, Assistants were in most cases not regarded as representatives. The representation function rested mainly with the Executive Director and Alternate. He would be rather skeptical about extending the representation coverage, particularly in single-member constituencies.

Mr. Malhotra said that he had no objection; he tended to agree with Mr. Zhang.

Mr. Joyce noted that he was rather hesitant about the proposal. He would be less hesitant if it were possible to devise some system for

controlling the overall expenditure of Executive Directors. It was important to assure the outside world that there were in fact controls on their expenses. As to reimbursing Assistants when outside Washington, he would say that the Assistants to Executive Directors should be reimbursed when on missions. His own constituency did not send an Assistant on mission; but when an Executive Director did send an Assistant, he was in fact usually acting for the Executive Director himself. He could therefore agree with the formulation as it appeared.

Mr. Abiad and Mr. Donoso said that they could go along with whatever the Committee decided.

Mr. Alfidja stated that he could accept the formulation as it stood.

Mr. Clark considered that the Assistant to Executive Director should receive reimbursement of representation expenses when he was acting in the place of an Executive Director, with a certification by the Executive Director that he was so doing.

The Chairman commented that an Assistant would by definition always be acting in the place of an Executive Director.

The Committee Secretary confirmed that Assistants did not normally travel and that travel by an Assistant had to be expressly approved by the Executive Board in advance, on the request of the Executive Director.

The Chairman concluded that the Committee members agreed with the proposal that the rules for the reimbursement of expenses should be extended to Assistants to Executive Directors when they traveled outside Washington, D.C. on official business of the Fund.

- (d) The present limits of "\$40 per person up to a maximum of \$400 for each luncheon, cocktail reception, dinner, or other meal" should be reviewed

The Chairman suggested that the matter need not be discussed until the statistical data that he had requested became available. The question was also intimately linked with the suggestion that the staff should study other means of controlling Executive Directors' representation expenditures.

The Committee members accepted the Chairman's proposal.

2. REIMBURSEMENT FOR ACCOMMODATION EXPENSES WHEN ON TRAVEL

Mr. Alfidja explained that he had just returned from a journey to six countries on Fund business. In some cases, he had occupied suites. The rules clearly stated, as he understood it, that a room for an Executive Director was taken to mean a single room. On the other hand, it was rather embarrassing to have to say to an official in a member country.

that one could not occupy the suite which the official had been good enough to reserve. He wondered whether he was entitled to reimbursement for a suite in such cases.

The Chairman commented that, personally, if he felt it necessary to receive people in the country he was visiting, and if he did not have an appropriate office in a ministry or central bank, he would have no hesitation in reserving a suite in a hotel and asking the Fund for reimbursement.

The Secretary confirmed that the practice described by the Chairman had regularly been permitted, except for hotels in the luxury category.

The Committee members agreed to meet again in March and adjourned at 12:00 noon.

APPROVED: May 30, 1984