CONFIDENTIAL

COMMITTEE ON EXECUTIVE BOARD ADMINISTRATIVE MATTERS

Meeting 84/3
3:00 p.m., August 2, 1984

R. K. Joyce, Chairman

Executive Directors	Alternate Executive Directors
A. Alfidja	
A. Donoso	M. Teijeiro
M. Finaish	
A. Kafka	
R. N. Malhotra	
	T. A. Clark
	Wang E.

A. Wright, Secretary
R. S. Franklin, Assistant

Also Present

	T. Yamashita
	G. Grosche
G. Lovato	
Y. A. Nimatallah	
	K. G. Morrell
	T. de Vries
	O. Kabbaj

Administration Department: G. E. Gondwe, H. Wiesner. Legal Department: G. P. Nicoletopuolos, Director. Secretary's Department: E. J. Capbert, B. R. Hughes, M. J. Papin. Advisors to Executive Directors: S. R. Abiad, H. A. Arias, S. El-Khouri. Assistants to Executive Directors: E. Landis, J. Reddy, Shao Z.

1. STAFFING OF EXECUTIVE DIRECTOR'S OFFICE

The Committee members considered a memorandum from Mr. Nimatallah requesting an additional Advisor in his office on an exceptional basis (EB/CAM/84/18, 7/13/84). They also had before them a staff paper providing background material on the staffing of Executive Directors' offices (EB/CAM/84/20, 7/18/84; Cor. 1, 7/20/84; and Cor. 2, 7/31/84).

Mr. Nimatallah considered that it was vital to maintain and, where necessary, improve the quality of the Executive Board, which played the central policymaking role in the operation of the Fund. In his view, the Executive Board had not been operating at full executive capacity as a policymaker of the Fund, in part because Executive Directors did not always have sufficient support to be able to play that role. Management and staff never failed to make a good case for acquiring additional help when that was considered necessary to maintain the quality of their performance. Unfortunately, members of the Executive Board did not often adopt a similar approach, which suggested that the Board's authority could be weakened over time.

Discussions with some of his colleagues had left him with the impression that they were apprehensive that his request, if approved, might open the door for similar requests by others, Mr. Nimatallah continued. As an argument against his request, that point was not particularly convincing. First, the Executive Board should always be flexible; different Directors had different needs, and those needs changed over time. The Executive Board should not be unwilling to accept the possibility of changes in staffing needs and to meet those needs, at least on a temporary basis. Second, Board members could certainly trust one another to make only "genuine" requests; and requests based on genuine need should be met.

While he had already explained in his memorandum why he needed an additional Advisor in his office, a reiteration of the main elements of his argument might be helpful, Mr. Nimatallah remarked. First, he wished to enhance the quality of performance by his office, which would lead to improved performance by his chair at the Executive Board. Second, he wanted to ease the pressure on his office colleagues, who had long carried a considerable work load and were beginning to complain about the burden. He was certain that many of his fellow Executive Directors could produce similar arguments; however, in his own case, all the work for the Executive Board was done in his office without written instructions from his authorities. His office was also required to perform considerable extra work relating to Saudi Arabia's position as a major creditor of the Fund and the World Bank. Moreover, his office operated under a language difficulty, which involved extra work in translation and in summarizing information in Arabic.

To ease the language problem temporarily, he had hired another Arabic-speaking secretary, in addition to the three secretaries already allotted to his office, Mr. Nimatallah commented. Saudi Arabia had paid for that secretary, and it had been easy to accommodate her within the existing office space. However, it was not possible for Saudi Arabia to take the same approach in helping to ease the pressure emanating from the more technical work of his office, in part because questions of office space and other arrangements were involved.

In sum, he considered the pressures in his office to be exceptional, which was why he was requesting an additional Advisor on a temporary basis, Mr. Nimatallah said. He had specifically requested an Advisor position because of his overriding desire to attract high caliber staff. Experience suggested that the salary and status of an Assistant were not sufficient to attract people of the sort who could help him contribute more effectively in his role as an Executive Director of the Fund.

Mr. Clark agreed with Mr. Nimatallah that it was important to maintain the standard of technical support to Executive Directors. He accepted that additional pressure had been imposed on Mr. Nimatallah's office because of work on the Saudi Arabian lending agreements. But the argument about the need to maintain quality was one that could be applied to all Executive Directors' offices; again, while lending agreements might be the particular burden of the Saudi Arabian office, other Directors could probably make a good case for requesting additional staff on the basis of special pressures applying to them. The issue might therefore better be dealt with through a more general look at the guidelines for the staffing of Executive Directors' offices.

Mr. Alfidja considered that the present guidelines should be reviewed because they were too rigid and were not adequate to meet the needs of Executive Directors. However, that matter should be taken up separately from Mr. Nimatallah's request, which had been well argued and was deserving of support.

Mr. Malhotra agreed with Mr. Alfidja. The request before the Committee appeared to reflect a genuine need for additional staff in an Executive Director's office, and that request should be accepted on its merits. If it were felt in addition that a more general review of the guidelines for staffing of Executive Directors' offices should be conducted, he would have no objection, but the two issues should be treated separately.

Mr. Kafka recalled that a precedent existed for acceding to Mr. Nimatallah's request, and that precedent could not be ignored. Moreover, the arguments put forward by Mr. Nimatallah in favor of his request had been convincing. With regard to Mr. Clark's proposal, he doubted whether a study of the needs of Executive Directors' offices would prove fruitful, because there were no objective criteria by which one could determine those needs. The best that could be done was to establish ad hoc guidelines for staffing and procedures that made it disagreeable for any Executive Director to request a departure from those guidelines. In his view, that was the situation as it stood at present. On balance, therefore, he proposed that the Committee should go along with Mr. Nimatallah's request on the same temporary basis that Mr. Zhang's request had been granted some years previously. In addition, if it were considered necessary, a biennial review of the additional positions could be conducted.

The Chairman observed that such a biennial review could be made part of any decision agreeing to requests for departures from the guidelines in future; however, that review could not be applied to the position in Mr. Zhang's office. Although the additional position had been granted to that office on a temporary basis, no review clause had been incorporated in the decision.

Mr. Nimatallah stated that, if the question of a review should become a stumbling block to the granting of his request, he could himself promise to bring the matter back before the Committee sometime in 1988 or 1989, when his need for the position might be reduced because most of the Fund's borrowing from Saudi Arabia would have been repaid.

Mr. Wang said that, because of the special work load in Mr. Nimatallah's office--arising from Saudi Arabia's position as the major creditor of the Fund and from special language difficulties--he could support the request for an additional Advisor post on a temporary basis. He could confirm to his colleagues that his chair had been granted an additional post two years previously and currently employed three Assistants. In 1983, an effort had been made to reduce that number, but it had soon become clear that the need for the additional post remained.

Mr. Alfidja said that, while he could support Mr. Nimatallah's request, he was concerned that the current guidelines for staffing of Executive Directors' offices were unfair to constituencies like his own. With 23 countries to represent, he was allowed no more Assistants than those Executive Directors who represented only one or two countries. Perhaps some new ratio or formula could be developed that would maintain the principle of uniform treatment while recognizing the very different needs of some Directors' offices.

Mr. Clark remarked that Mr. Alfidja's remarks seemed to support his original suggestion for taking a fresh look at the general issue of staffing Executive Directors' offices. It might be that the current guidelines were too rigid, as Mr. Alfidja had suggested; maybe other ways--a budget, for example--could be found for imposing constraints on the size of Executive Directors' offices. Such matters could best be looked at in the context of a general review rather than as part of the effort to decide whether the present guidelines should be waived in a particular case.

Mr. Nimatallah expressed the hope that Mr. Clark's views on the issue at hand did not prevent the provision of some help to his office as soon as possible. He had no difficulty with the proposal to review current procedures for the staffing of Executive Directors' offices; indeed, he hoped that new procedures could at some point be developed that would be satisfactory to all. For the time being, however, he did not wish to confuse the two issues. A temporary problem existed in his office, and that problem should be addressed separately from the question whether or not the current guidelines were appropriate to the more general needs of Executive Directors.

Mr. Teijeiro stated that he could support Mr. Nimatallah's request, which appeared to be justified. However, he believed that, if such waivers of the guidelines were to continue to be granted, an effort should be made to define the "temporariness" of the need for the additional post.

Mr. Finaish, supporting Mr. Nimatallah's request, observed that there was no need to place great emphasis on defining the "temporariness" of any new position that might be granted. That matter could be left to the Director presenting the request. He had no objection to a review of current guidelines but, like Mr. Nimatallah, felt that such a review should not be linked to the specific requests before the Committee.

The Chairman, observing that all members of the Committee had spoken, invited other Executive Directors present at the meeting to speak if they wished.

Mr. Grosche remarked that, while he shared Mr. Nimatallah's concern about the need to maintain or improve the quality of the work of the Executive Board, and while he admitted that staffing might be a factor in accomplishing that goal, other Directors might also be able to present a good case for increased staffing in their offices. The meeting of such requests could have a serious impact on costs and on office space, and he therefore had some sympathy for Mr. Clark's view that it would be better to look at Mr. Nimatallah's request in the context of a review of the general guidelines governing the staffing of Executive Directors' offices.

Mr. Kabbaj considered that Mr. Nimatallah had presented a good case in support of his request, which should be granted on its merits. He noted from the table in EB/CAM/84/20 that seven offices--including that headed by his chair--had not taken up all the positions available to them under the guidelines, a sign that Executive Directors were behaving responsibly. In the circumstances, if Mr. Nimatallah felt that he really needed an additional position, the request should be granted. He had no objection to a general review of the guidelines, so long as such a review did not pre-empt consideration of Mr. Nimatallah's request.

Mr. Lovato remarked that, while he clearly understood the reasons for Mr. Nimatallah's request, he felt that it would be preferable to treat that request in the context of a more general discussion of the guidelines for the staffing of Executive Directors' offices.

Mr. de Vries and Mr. Yamashita said that they would prefer to deal with the issue at hand in the context of a more general discussion of the guidelines.

Mr. Morrell stated that he could support Mr. Kafka's view. There were limits to what general guidelines could cover, and there were times when cases like that put forward by Mr. Nimatallah needed to be dealt with on an ad hoc basis.

Mr. Malhotra remarked that, from a purely budgetary point of view, it should be remembered that generalized formulas usually tended to be more costly than the meeting of ad hoc requests.

Mr. Nimatallah noted that, even with a review of the procedures for staffing Executive Directors' offices, and even with new guidelines, it would be impossible to cover all individual needs, and some ad hoc cases would undoubtedly arise. The Executive Board should in his view be flexible and should trust its members to act responsibly. The argument should not be put forward that the acceptance of one ad hoc request would open the door for a rash of other requests. The exercise of self-discipline by Executive Directors was expected. He himself would not have approached the Board unless he had been genuinely in need of more staffing.

The Chairman, summing up the discussion thus far, said that it was clear that the Committee was willing to recommend to the Executive Board that Mr. Nimatallah's request should be granted on a temporary basis. There was some disagreement about the extent to which the "temporariness" of the position should be defined, either generally or with respect to the specific case under discussion. In that regard, however, Mr. Nimatallah had indicated to the Committee that the particular position that he was requesting would probably be required only during the period when the borrowing arrangements between Saudi Arabia and the Fund remained active, thus implying that there might no longer be a need for the additional position after 1989.

While there had been a great deal of discussion about the possibility of a general review of the guidelines for the staffing of Executive Directors' offices, the Chairman continued, he sensed that the majority felt that the matter should not be confused with Mr. Nimatallah's request. The Committee would be willing to consider the matter of a general review; and a date for such a discussion could be established once a formal proposal for a review was presented to the Committee. In sum, the Committee had agreed to recommend the acceptance of Mr. Nimatallah's request on a temporary basis, although there remained some question about how the recommendation would be worded.

The Secretary observed that one option would be to recommend that Mr. Nimatallah's request be treated in the same way that an earlier request from the Executive Director for China had been treated. In the previous request, the word "temporary" had been included in the recommendation to the Board and in the Board's decision, but the word had not been defined. Another approach might be to define the temporariness of the need in general language of the sort used by Mr. Nimatallah himself in relating the need mainly to Saudi Arabia's role as the major creditor of the Fund. Such language could be employed in the body of the Committee's report to the Executive Board or, alternatively, in the text of the decision itself.

Mr. Finaish expressed the hope that his colleagues would not insist on too many specifics in defining the temporariness of the requested position. By linking the post to Saudi Arabia's creditor position, it might sound as if Saudi Arabia were being rewarded for lending money to the Fund.

The Committee agreed to follow, as a precedent, the language and procedure employed in relation to the previous request by the Chinese Executive Director's office.

The Chairman presumed that the reported recommendations of the Committee would be submitted to the Executive Board for approval on a lapse of time basis.

Mr. de Vries wondered whether, given the views expressed by some Directors during the course of the discussion, it was wise to submit the report and recommendations for approval on a lapse of time basis.

The Secretary observed that for a Committee report of the sort under discussion to be placed on the agenda of the Executive Board would be exceptional. It was the custom to submit such reports for approval on a lapse of time basis, with the usual proviso that the matter could be placed on the agenda of the Executive Board at the request of any Executive Director.

Mr. de Vries said that, while it might be exceptional practice to place such a matter on the agenda of the Executive Board, it should be remembered that, when a similar request had been put before the Board by Mr. Nimatallah's predecessor, it had been sent back to the Committee for further discussion; the result had been the current guidelines on staffing.

The Chairman stated that it was of course within the power of the Executive Board to accept the recommendation, discuss the issue, or refer it back to the Committee. However, there appeared to be a consensus among the members of the Committee to send the report and recommendation regarding Mr. Nimatallah's request to the Executive Board on a lapse of time basis, and he proposed that the Committee proceed along those lines.

The Committee accepted the proposal of the Chairman.

2. REPRESENTATION EXPENSES OF EXECUTIVE DIRECTORS

The members of the Committee considered a staff paper on representation expenses of Executive Directors (EB/CAM/84/17, 7/13/84).

The Chairman noted that the paper--which set out various options that Committee members might wish to consider--had been prepared by the staff in the light of an earlier discussion on representation expenses (EB/CAM/Meeting 84/2, 5/3/84). The World Bank's Committee on Directors' Administrative Matters had held a meeting on July 24, 1984 and had agreed to recommend that the ceilings should be increased to $40 per person/$400 per event for luncheons and to $50 per person/$500 per event for dinner and cocktail receptions. The course of action being recommended in the World Bank was described in Option 1 on page 3.

Mr. Kafka proposed that the Committee adopt the ceilings preferred by the World Bank's Committee, even though such a course would mean a change from present Fund practice, which set a single ceiling per head and per event for all entertainment.

Mr. Finaish, noting that the estimated increase in costs for Option 1 (World Bank proposal) and Option 3 (luncheons and dinners $45/$450) was the same, indicated a preference for Option 3, especially since most of the entertainment by Executive Directors was probably in the form of luncheons.

The Secretary observed that, in the first half of 1984, Directors had exceeded the ceiling in 25 instances of dinner entertainment and in 13 instances of luncheon entertainment. It appeared that the excess for luncheons had been mainly in the numbers of persons attending rather than in the per head ceiling, while the reverse had been true for dinners.

Mr. Alfidja said that his preference was for Option 4, which set a ceiling of $50 per head and $500 per event for luncheons and dinners. As a second-best alternative, he could go along with Option 3.

Mr. Teijeiro and Mr. Wang stated that they could support Mr. Kafka's proposal to accept the ceilings preferred by the World Bank Committee.

Mr. Malhotra indicated that he had no strong views on the matter. He could accept the proposal put forward by Mr. Kafka, but he would be equally happy if the ceilings were left as they were at present.

Mr. de Vries said that his views were similar to those of Mr. Alfidja: he had a preference for Option 4 but could go along with Option 3.

The Chairman noted that a majority of the Committee was in favor of adopting the ceilings preferred by the World Bank. In passing, he wondered whether the introduction of a distinction between the ceilings set for luncheons and those set for dinners would create any administrative difficulties.

The Secretary replied that the change would create some minor administrative complications, mainly in the recording and the follow-up of individual claims. While he could provide no precise indication of the cost of those complications, he doubted that they would impose a great burden.

The Chairman, noting that the Committee had agreed to recommend Option 1 to the Executive Board, proposed that a report, together with the Committee's recommendation, should be prepared for submission to the Executive Directors for approval on a lapse of time basis.

The Committee accepted the proposal by the Chairman.

3. REPRESENTATION EXPENSES AT THE TIME OF THE 1984 ANNUAL MEETING

The members of the Committee considered a staff paper concerning representation expenses of Executive Directors' offices at the time of the 1984 Annual Meeting (EB/CAM/84/19, 7/13/84).

The Chairman observed that three options had been presented on page 2 of the paper. The first was to retain the 1983 Annual Meeting formula unchanged. The second and third options offered new formulas that took account of the increase in the consumer price index, either in general or in the specific category of "food away from home." On July 24, the World Bank Committee had addressed the issue of representation expenses at the time of the 1984 Annual Meeting and was planning to recommend a formula similar to that outlined in Option 3. With rounding, the Bank Committee was suggesting the adoption of a formula that would provide either $180 for each member country in the constituency or $834 plus $58 for each member country, whichever was larger. However, the World Bank Committee had also agreed to recommend that additional amounts of $500 be made available for each Alternate and each Advisor to an Executive Director. It was his understanding that the intention behind that proposal had been to help those Executive Directors' offices that had additional representation expenses while still retaining a formula that was in line with that relied upon in recent years. In the circumstances, the Committee might consider addressing two questions: which formula to employ; and whether or not to recommend the adoption of the supplementary provision that had been accepted in the Bank Committee.

The Secretary added that, while the Bank Committee had indicated that an additional $500 would be available for every Alternate Executive Director and Advisor in Executive Directors' offices, the Committee had not clarified how the actual expenditures would be implemented. Hence, an Alternate and an Advisor could be reimbursed for entertaining at the Annual Meeting up to a limit of $500 each, or the Executive Director's office in which the Alternate and the Advisor were located could spend that money as part of its expenses.

Mr. Kafka proposed, and the Committee agreed, that the Committee should recommend the same formula, including the supplemental provision, that had been accepted in the World Bank's Committee.

The Secretary, responding to a question by Mr. Finaish, observed that department heads in the Fund were given a budget for representation expenses each year, with no distinction made between entertainment at Annual Meetings or at other times of the year. There were some guidelines concerning how the budget might be spent, including what types of entertainment it could be used to cover, but there was no firm ceiling on how much department heads might actually spend on a particular event beyond the proviso that any single-event expense estimated to be in excess of $1,000 must be cleared in advance with the Director of Administration. In passing, he observed that the rules for Executive Directors included a provision under which any Director might approach the Chairman of the Committee on Administrative Matters with a request to exceed the ceiling, although that provision--which had rarely been used--covered only entertainment in Washington.

The Chairman recalled that the matter raised by Mr. Finaish had been discussed in the previous meeting of the Committee. It had been recognized at the time that, in terms of who could be entertained and how much could be spent, the staff had much more freedom than Executive Directors because the only major constraint was the budget. However, it had in general been the view of Committee members that any effort to give Executive Directors' offices the same kind of freedom accorded the staff would raise all sorts of questions about who would set and administer the budgets for Directors' offices. Of course, if Committee members so wished, the matter could be discussed further.

Mr. Malhotra expressed interest in finding whether there were procedures for exceeding the existing limits in certain circumstances; while he would probably continue to treat the limits as sacrosanct, he noted that there were times--particularly at the time of the Annual Meetings--when his own out-of-pocket expenditure had been substantially more than the amount paid for by the Fund, even though the entertainment could not in his view be described as "lavish." Perhaps the supplementary provision that was being recommended would help to alleviate the burden, but at some point Directors would need to address the fact that entertainment at the time of the Annual Meetings was much larger than at any other time of the year.

The Chairman remarked that it had never been the intention that Executive Directors should find themselves substantially out of pocket as a result of their efforts to fulfill required representational costs at the time of the Annual Meetings. If the problem referred to by Mr. Malhotra turned out to be widespread, it should certainly be dealt with. Perhaps the Committee could hold an informal discussion of the matter after the 1984 Annual Meetings and certainly before the Meetings in 1985, when entertainment was likely to be far more costly than in Washington.

The Secretary, remarking on a procedural point associated with the proposed decision on representation expenses, suggested that the period of the Annual Meetings should, as in previous years, begin on the Saturday prior to the Meetings--September 22--and run through the final day of the plenary sessions, which was Thursday, September 27.

Mr. Morrell inquired whether the practice had been to define the period of the Annual Meetings as beginning on the day of the Interim Committee meeting.

The Secretary replied that the beginning of the period was usually considered to be the Saturday before the plenary sessions, irrespective of when the Interim Committee meeting was held.

Mr. Morrell observed that officials of the nine countries in his constituency were normally entertained at a dinner on the evening before the Interim Committee meeting, and the expense for that dinner had usually been covered by the Annual Meeting representation allowance. However, for the 1984 Annual Meetings, the Interim Committee was scheduled to meet on Saturday, September 22, which meant that the previous evening's entertainment would not be covered.

The Secretary commented that Directors could of course establish whatever period they wished for representation expenses at the time of the Annual Meetings. He had the impression that, in the past, Directors had normally preferred to keep the period of the Meetings relatively short to give themselves more flexibility in using the overall amount allotted for Annual Meeting representation expenses.

Mr. de Vries proposed clarifying the matter in the decision itself. The period at the Annual Meeting could be defined as "from Saturday, September 22 to Thursday, September 27, provided, however, that an Executive Director who entertains on Friday, September 21, may count that entertainment against his Annual Meeting allowance."

The Committee agreed to the proposal by Mr. de Vries. Language along the lines suggested would be incorporated in the Committee's report and recommended decision, to be submitted to the Executive Board for approval on a lapse of time basis.

Having concluded its discussion, the Committee adjourned at 5:00 p.m.

APPROVED: November 20, 1984