CONFIDENTIAL

March 12, 1997
Approval: 3/19/97

COMMITTEE ON EXECUTIVE BOARD ADMINISTRATIVE MATTERS

Meeting 96/1

3:00 a.m., March 14, 1996

M-A. Autheman, Chairman

Executive Directors	Alternate Executive Directors
I.D. Clark	
B.S. Dlamini	D.Z. Guti
K.P. Geethakrishnan	
A. Kafka	
	R. von Kleist, Temporary
	Y.Y. Mohammed
E. Srejber	

B. Hughes, Secretary
K. Fletcher, Assistant

Also Present	
	M.F. Melhem
	V.M. Fernández
	J. Shields
	N. Coumbis
	L.M. Cheong
W. Kiekens	
	H.A. Barro Chambrier
	B.S. Newman
	A.G. Zoccali
	E. Kouprianova, Temporary
E.L. Waterman	
	F.A. Schilthuis
	Han M.

Secretary's Department: A. Mountford, M.J. Papin, S. Yeager. Office of the Managing Director—Office of Budget and Planning: L.A. Wolfe. Advisors to Executive Directors: R.F. Cippa, S.S. Farid, R. Kannan. Assistants to Executive Directors: P.I. Botoucharov, S. Fukushima, S. Simonsen, E.L. Zamalloa.

1. GROUP TRAVEL BY EXECUTIVE DIRECTORS—TRIAL PROGRAM

Committee members considered a staff paper on the possible features and implementation of a trial program of group travel by Executive Directors that the Executive Board had agreed should be undertaken in financial year 1997 (EB/CAM/96/28, 3/4/96).

The Chairman noted that countries in the constituencies of Mr. Shaalan and Mr. Wijnholds had indicated that visits from Executive Directors undertaking group travel would be welcome.

Mr. Mohammed said that his chair strongly supported the proposal for group travel by Executive Directors to countries in his constituency, as such trips would give Directors an opportunity to put Article IV consultations and program reviews in context. Some of his authorities, especially those of Egypt, Jordan, and the Republic of Yemen had extended an invitation to Directors willing to visit those countries, although it would, of course, be up to the Board to decide which countries Directors would visit. On the question of funding, it was his preference for such group travel that the cost be absorbed within the total budget of each Executive Director's office.

Mr. Geethakrishnan pointed out a stipulation in the proposed features of the trial program that made ineligible for group travel those Directors nearing the end—within four to six months—of their service. By the time the proposals before them were agreed upon and implemented, many Directors in the room would fall into that category.

Mr. Mohammed agreed with Mr. Geethakrishnan that the restriction should be removed.

The Chairman suggested that Committee members focus their attention on items 2 and 3 of Section III and return to the question of funding only if there was clear support for other elements of the program. The staff paper appeared to be a fair representation of Directors' views during the Board discussion of group travel. If the Committee were to agree that the program would take place during FY 1997, perhaps during the summer, he wondered how soon could the first trip could be undertaken.

The Committee Secretary responded that the next financial year would begin May 1; therefore, technically, it would be possible—although difficult—to complete plans for a trip by the end of May or beginning of June, if that was desired by Executive Directors.

The Chairman agreed that it might be difficult to organize a trip by early May unless all the details of the group travel were agreed upon in the present meeting. The alternative, as travel in July–September was not realistic, would mean a trip after the Annual Meetings, with the second travel undertaken during the winter.

The Committee Secretary noted that 1996 was an election year, and there would be changes of Directors on November 1.

Mr. Clark considered that June seemed to be the best choice, if the desire was to move as quickly as possible with the first trial visit.

Mr. Schilthuis said that it was his impression that the four countries in his constituency that had recently extended an invitation to receive a group of Executive Directors in FY 1997 would prefer to have the group visit later in the year; but the end of May might be possible as well.

Mr. Geethakrishnan suggested that there was no need at the present meeting to take final decisions on which countries to visit. Indeed, by waiting until after the scope and focus of group travel had been agreed upon, other countries—including his own constituency—might be encouraged to extend invitations.

The Chairman agreed that the scope and focus of group travel deserved some consideration. It was clear that some flexibility in determining the composition of the group was needed, because a mechanical rule of selection would not be possible.

Mr. Geethakrishnan said that it was indeed important to remain flexible about group travel. However, his support for the idea had been based on his perception that it would provide a form of two-way education. In that regard, he had considered that such travel would be most effective if single-country chairs visited program countries, accompanied by the Executive Director of the concerned country. That would provide a good education for both the Executive Directors from single-country chairs and the recipient countries, which could interact with Executive Directors and learn more about the nature of the Fund and its views.

The Chairman suggested that, when setting the criteria, Committee members could emphasize that it would be useful to have travel groups consisting of Executive Directors who represented the interests of countries that were not recipients of Fund financial or technical assistance.

Mr. Mohammed considered that the group should be a representative one that would provide a balanced image of the Fund..

Mr. Geethakrishnan agreed with Mr. Mohammed but insisted that Directors representing the interests of nonprogram countries should predominate if the exercise was to be a two-way educational process.

Mr. von Kleist said that his chair had been reluctant in the past to strongly support group travel, because it was difficult to envision how such travel might add to a better understanding of, for example, inflation or budget deficits. However, it might have some educational benefit, and he was therefore willing to listen.

Mr. Shields noted that it seemed a sensible proposal to have one person coordinating the trip and then reporting on it to the Board. However, if two or more countries were being visited, it might be useful to have another Director acting as the group's spokesperson. It seemed too heavy a responsibility for one Director to manage the trip and act as spokesperson.

The Chairman observed that, as Mr. Shields was aware, when Executive Directors from the World Bank undertook group travel, the coordinator appointed a different spokesperson for each country visited, so as to share the burden of speaking. That practice could be adopted by the Fund, if desired.

Mrs. Guti said that she wanted to follow up on an issue raised by Mr. Geethakrishnan, namely, the question of the visit being an educative one. That was an important point, particularly from the point of view of her constituency, as it was necessary to recognize that macroeconomic management was not carried out in a vacuum; there was an entire social context within which economic programs were implemented. Executive Directors should interact with policymakers and observe a country's situation from both the political and social sides, as well as in an overall context. Directors should also use the opportunity provided by such visits to observe, at the ground level, the impact of the economic programs. Her constituency would also be interested in a group visit, and a specific proposal would be forthcoming in due course.

The Chairman observed that the process of selection in the World Bank was facilitated by the fact that a Bank Executive Director who had recently participated in group travel was placed at bottom of the priority list for future travel. That practice would not be in place during the Fund's own trial program. If there were to be an excess of group travel candidates, Directors might be forced to define objective criteria for selection with factors such as seniority in the Board. However, such complications were likely to smooth out over time, assuming that the trial program was deemed a success and a group travel policy was implemented.

Mr. Geethakrishnan pointed out that the proposed trial program procedures seemed to convey the possibility that only the spokesperson would speak. If a group of Executive Directors were to visit, for example, India, it would be useful to organize meetings for them with a group of top industrialists, editors of economic journals, and economists. It was as necessary for the group of Directors to listen to various views as it was for them to convey information on the Fund's goals. For instance, industrialists might wish to know more about the Fund's views on privatization. In that context, while visiting Executive Directors should refrain from commenting on specific policy issues relating to the country, the group should at least be able to convey the Fund's ideas. There should be a free-ranging discussion, although Directors would, of course, avoid discussing any controversy over particular country policies.

If only the spokesperson were permitted to speak for the group, then he would not be in favor of the program.

The Chairman replied that Directors had never restrained the right of colleagues to talk. The purpose of having a group spokesperson was to ensure that, where a common view was needed—for example, at a formal meeting at which an introductory statement had to be made or a meeting with the press—it would be clear who should take on that role. However, that did not mean that the other group members had to remain silent, only that their interventions should be coordinated by one member of the group, who would act as the leader during the visit.

As to Mr. Geethakrishnan's second point, it seemed obvious that Executive Directors, as officials of the Fund, would make their best effort to explain the reasons that the Fund's Board supported certain policies or held certain views, the Chairman remarked. If necessary, that point could be included in the final paper.

Mr. Geethakrishnan responded that he had no problem with the Chairman's explanation, simply with the draft paper as it appeared. He agreed that a spokesperson should make the initial remarks if addressing a press conference, but he had a strong objection to the suggestion that the spokesperson would always speak for the group. In his view, all Executive Directors should be in a position to participate fully in all the meetings held during a visit, recognizing, of course, that there was a spokesperson who was the leader of the group. To the extent that free discussion and open dialogue were encouraged, he had no objections.

Mr. Mohammed said that the issue was whether greater emphasis should be placed on teaching others about the Fund or on learning from the countries that were visited. His impression had been that the point was to learn, as Mrs. Guti had noted, and to understand the effects of Fund policies in the context of a particular country's socioeconomic structure. Most Fund missions involved interaction with only a few bureaucrats. The staff collected information, prepared reports, and then presented them to the Executive Board. By simply reviewing reports and charts, it was not possible to have a feel for what was occurring in a given country. In their travels, the group of Executive Directors should develop a sense of the situation in each country they visited. The goal was not simply to teach the authorities of a given country about the Fund.

Mr. Geethakrishnan reiterated that, in his view, the purpose of such visits was a two-way interaction. Feedback from those with whom Directors met would enable them to obtain a better idea of the situation in the country being visited. It would also give an opportunity for intellectuals and others to interact and to learn about the Fund's ideas, not all of which were universally accepted. In many of the program countries, some of which he and Mr. Mohammed represented, discussion could help to convey such ideas more effectively than if they were coming from the countries' own authorities.

The Chairman observed that the views of Mr. Geethakrishnan and Mr. Mohammed were not so far apart. It was true, as Mr. Mohammed had said, that the primary purpose of such a visit was to listen, learn, and understand, and not to provide some parallel form of outside advice. At the same time, his impression was that in order to reach a proper understanding with the authorities on various matters—for example, why Fund policies placed such emphasis on a particular type of reform—open dialogue and discussion on substantive issues would be useful and would take place quite naturally.

Mr. Barro Chambrier said that he was certain that, when visiting a member country, Directors would be flexible in their dealings with authorities. While he understood that Executive Directors present would naturally wish to participate in discussions, it was also important to listen and observe. Care should be taken that such trips were not perceived merely as opportunities to give parallel advice to that given by the staff and management—there should be no confusion with the role of the staff and the Managing Director, he considered. The purpose of a group visit by Executive Directors should be to better understand the member country being visited and to have informal contacts with the people of the country. With regard to television interviews and other press-related activities, he would suggest that Directors be cautious, because some sensitive issues could be raised and turned into policy and political discussions.

He was satisfied with the draft as written, Mr. Barro Chambrier stated. Perhaps some corrections could be made, but, considering what Mr. Geethakrishnan had said earlier, some balance of the views expressed must be found in order to make the group travel fruitful.

The Chairman said that he assumed that there would be no comments on paragraphs 7 and 8 of the draft, which had already been covered. He then invited Committee members to turn to budgetary and cost issues.

Mr. Kafka asked for clarification on the selection of which countries would be visited. He had received the impression that most Committee members believed that the group travel should be a two-sided exercise: to learn and to teach. If so, he wondered why there seemed to be an emphasis on visiting program countries. Was there not something to learn from nonprogram countries as well?

Mr. Mohammed agreed with Mr. Kafka; he too had understood that such travel would not be restricted to program countries. In his view, group travel should also include countries under intensive surveillance and any other countries that might benefit from an exchange of information. The only reason that three program countries were chosen for the trial program was that they were the ones that had expressed a willingness to receive a visit from a group of Executive Directors, he observed.

The Chairman said that it was important to remember that what had been agreed on by the Board was a trial program, in part because quite a few Directors still had reservations about the usefulness of such a program. One of the purposes of a trial program was to give

Directors an opportunity to revisit the question of the program's usefulness on the basis of experience. As the trial program should not consist of more than two visits, it seemed sensible to agree that, as a rule, the trial visits should be either in countries under intensive Fund surveillance or in countries that were recipients of Fund technical or financial assistance. Those criteria would not necessarily be maintained after the trial program had been evaluated.

Mr. Kafka replied that, while he was prepared to go along with the group travel, he was not convinced of its usefulness. However, he considered that Executive Directors would be missing something if they visited primarily, or only, program countries, because much could also be learned from the experience of nonprogram countries. Thus, it would seem necessary to include countries other than program countries in the trial as well, in order for the Board to have an accurate idea of how useful a group travel program could be, he considered.

The Chairman said that that was true, but in order to take due account of the concerns of colleagues who were reluctant to support such a program, it would be helpful to agree on a small-scale trial program.

Ms. Srejber commented that she too was not convinced of the usefulness of such travel but had supported the trial period. Like Mr. Kafka, she felt that, if the purpose of the travel was to learn more about member countries, it would be logical to visit various types of countries. In any event, the choice of countries might well be limited by the number of invitations.

Mr. Fernández said that he had four points to make. First, his chair did not believe that any discrimination or special treatment should be introduced into the group travel exercise, for example by indicating that single-country constituency Directors were more interested in participating in the exercise than were multicountry constituency Directors. Second, while it would be useful to visit program countries, Executive Directors should also visit key nonprogram countries, such as the United States and Japan, within the trial period. Group travel should not be undertaken on the understanding that the program was specifically designed to solve deficiencies or problems. Directors should not simply approach the selection of countries to be visited on the basis of invitation; to do so would weaken the concept of group travel, and in that regard, he shared the concerns expressed by Mr. Kafka and Ms. Srejber. Instead, the Board should make an assessment that took into account not only the group of countries interested in having a group visit, but also the level of interest in a particular trip and specific country situations. Executive Directors might also consider visiting, for example, a nonprogram country that had recently had an Article IV consultation. It might be particularly interesting for Directors to closely follow the situation in the country or the views of the authorities on systemic issues or problems.

Third, on the budget issue, he believed that an excess of demand for group travel might occur, Mr. Fernández said. Therefore, Directors' travel should be financed by their own office budgets as a way of imposing some discipline on the group travel process, instead of providing a "free good" among Directors. His office accepted the concept of a trial period, but on the particular issue of budgeting for the trial program, he strongly believed that visits by Directors should be financed from within their own office budgets.

Fourth, another way for Board members to become more familiar with the realities of member countries' situations might be to invite relevant country authorities to the Board on the occasion of program approvals or Article IV consultations, Mr. Fernández suggested. In that way Executive Directors would learn directly authorities' views on matters being discussed by the Board. Directors could hear the authorities' views and ask questions about the economic, political, and social situations in the country. The country authority could then leave the Board room, and the relevant Executive Director could follow up, but the immediate benefit would be the direct contact with the reality of the country through country officials.

Mr. Newman said that he agreed with those Directors who advocated having a mixed group within the traveling party, as a wide range of views would be useful. He did not believe that group travel should be limited only to those Directors from single member constituencies. As a practical matter, there were only eight Directors with single-member constituencies; it was neither necessary nor desirable that those Directors undertake all the traveling.

Also, as a matter of principle, visits should not be limited to program countries, Mr. Newman stated. There was a wide range of issues of interest to the Board that did not necessarily involve program countries. For example, the Board had had frequent discussions about capital account convertibility, the impact of capital inflows, and the practice of engaging in surveillance, which raised issues of more general concern to the Board. As a practical matter at the outset, based on invitations received, travel might have to be limited to program countries; but it was to be hoped that, as the trial program got under way, other countries would invite Directors to visit as well, thus permitting a wider purview.

With regard to the budgetary issue, like Mr. Fernández, he believed that the associated costs should be covered by existing budgeted resources, rather than through additional resources, Mr. Newman considered. However, Executive Directors' offices did not have budgets at present, and it was therefore difficult to envision how budgetary resources for group travel would be allocated within each office. If there were line items in the overall Fund budget, either for Executive Directors' offices individually or as a group, it might be feasible to exercise some kind of peer review, particularly if Directors believed that the total amount allotted to Executive Directors was becoming too large.

Mr. Mohammed asked, with regard to Mr. Fernández's suggestion that authorities be invited to attend Board meetings, whether the intention was that such visits by authorities would be in addition to, or as a substitute for, the proposed group travel. In his view, such visits by authorities would not have the same impact as would group travel by Executive Directors.

The Chairman reminded members that the Committee had a limited mandate: its purpose was to determine whether rules could be established to permit a proposal for a concrete trial program. Mr. Fernández had raised important points that needed to be kept in mind, not least because they served as a reminder that there was not yet a consensus on a permanent group travel program. However, those issues would be for another discussion.

Both Mr. Fernández and Mr. Newman had addressed the budgetary aspect of the trial program, the Chairman reflected. That was a central question on which Committee members must reach agreement. Otherwise, there would be no way to agree on a concrete proposal for the trial program. A suggestion had been made to identify specific expenses relating to group travel, and to cover those expenses within the existing budgets for Executive Directors' offices, in the hope that cost savings in other areas would provide the necessary funds. He wondered whether that was acceptable to Directors.

Mr. Geethakrishnan said that it was not acceptable. Most Directors operated on a minimalistic budget. Moreover, there were uncontrollable expenditures, such as computer equipment costs and communications expenses, that were charged to Directors' budgets. The option of paying for the additional cost of group travel from within existing Executive Directors' budgets was not feasible. Two viable options were to calculate the total cost and add that to the budget, or to indicate that the cost must be accommodated within the Fund's total $400 million administrative budget for the year.

Ms. Srejber observed that, as Mr. Newman had pointed out, there were no budgets for Executive Directors' offices, so it was difficult to see how the proposed procedure would be handled in practice. To reiterate what she had said during the Board discussion on group travel, travel in her office was only undertaken if it was necessary and had been requested by her authorities. As for other uncontrollable expenditures, as Mr. Geethakrishnan had pointed out, Executive Directors did not have much choice.

Mr. Shields said that, in principle, it seemed right that the expenditure should come from the existing overall budget. It would obviously be much easier and better if each Director's office did have its own budget, and in particular a cash budget. That would ensure that there were no non-essential expenditures—computers that were not used and so forth. If Directors had that level of budgetary control, they could make economies in areas where they were allocated materials that were not needed; presumably, they could also consider other areas where the funds might more usefully be spent, such as the pilot group travel program. Given the current structure, the sensible approach appeared to be to locate potential savings and suggest that those be implemented. As for uncontrollable expenditures, Directors could also suggest possibilities for savings in that regard.

The Chairman noted that Directors' different views on group travel had been well aired during the Board discussion. He wondered whether, on the basis of the current discussion, any Directors had changed their minds, or could offer a compromise that would help to find a common ground. His view was that, during the trial period, Directors should find an arrangement that accommodated the concerns of all Directors. While Mr. Shields's suggestion on the budget issue was interesting, he would not like to open a protracted discussion on the matter at the present time and preferred instead to leave the issue for the attention of Mr. Kafka, who would chair the Committee as of May 1.

Mr. Fernández said that, if indeed Executive Directors' offices did not have formal budgets, it would be useful to have them put in place. On the selection of which countries to visit, he wished to express reservations about the approach proposed; he was uncertain of the value of visits to countries based on whether or not they had extended an invitation; it was more important to focus on whether the country's situation was of particular interest to the Fund.

The Chairman said that he was certain that Directors would agree that all members of the Fund were of interest and were deserving of a visit. On the budget issue, if it were decided that group travel expenses would have to be accommodated by savings within the existing budget, there was a risk of sharpening the reluctance of those who did not favor the program and of transforming current abstentions into objections. However, if, in the interest of reaching unanimity, a few hundred thousand dollars were added to the budget to accommodate the costs, at the same time that restraint was being advocated for both the Fund itself and its members, difficulties might arise. A better solution might be to launch another experimental program, together with the pilot group travel program and, in line with a practice in place at the World Bank: that of peer monitoring of Executive Directors' expenditures. At the World Bank, after protracted discussions about the creation of individual budgets for Executive Directors, a very effective peer monitoring system had been established.

Under that system, a distinction was made between noncontrollable expenditures, such as staffing expenses, office space costs, and other expenses that could not be influenced by Executive Directors, and controllable expenses, which depended upon direct decisions made by Executive Directors, such as travel, representation, and translation requests, the Chairman explained. One of the Bank's Executive Directors had been charged with confidential monitoring of the evolution of Executive Directors' expenses, with the support of the staff, and, if necessary, would signal discreetly to colleagues that they should examine more closely some of the expenses that they had incurred. For instance, a Director's attention might quietly be drawn to a pattern of expenses for his or her office that was substantially out of line with the pattern in other, similar offices.

The peer pressure process had had an impact in the Bank, the Chairman observed. It had strengthened the resolve of the most austere Executive Directors to remain austere, being confident that their example would be influencing the behavior of the others. And, conversely, Executive Directors' desire not to be viewed as possibly overspending had increased individual discipline. In fact, since the peer monitoring scheme had been implemented, the budget for the World Bank's Executive Directors had been underspent.

Mr. Geethakrishnan suggested that it would be useful to receive statements of both noncontrollable and controllable expenditures for each Executive Director's office. The statements would provide information that would answer two questions: whether the budget was large enough to accommodate an extra $200,000 a year for group travel; and whether expenditure appeared to be excessive for some Directors' offices in relation to others.

Mr. Kafka responded that Mr. Geethakrishnan's proposal raised two questions. First, was there not a simpler method of approaching the matter, because dissatisfaction would result if the severity with which all Executive Directors' expenditures were examined were increased to ensure that only members of certain constituencies could travel. Second, he wondered to whom the Bank had given the privilege of monitoring Directors' expenditures.

The Chairman replied that, in the Bank, that responsibility had been given to the Chairman of the CODAM, which was the counterpart of the Fund's Committee on Executive Board Administrative Matters. A rotation system had been put in place, and the oversight had been carried out in an unobtrusive manner, with the assistance of the Bank's Secretary. An important factor to consider was that the Director in charge should probably carry out the function for a reasonably lengthy period, in order to better protect the confidentiality of the information gathered. In the Fund, it could perhaps be agreed that the Director given the oversight function should be appointed by the Dean, if the Dean himself did not wish to assume the responsibility.

Mr. Kafka observed that there was also the matter of whether the chosen Director would be willing to accept the appointment.

Mr. von Kleist said that, in principle, he supported the suggestion put forward by the Chairman. However, he too would like answers to the questions raised by Mr. Geethakrishnan. It would be useful if the staff were to provide a list of both the controllable and uncontrollable expenditures of individual chairs—not necessarily identifying Directors. Then he would suggest that the matter be referred to the Budget Committee.

Mr. Clark commented that the oversight proposal was ingenious, and the fact that it had already been proven effective in the World Bank suggested that it was feasible. The data that Mr. Geethakrishnan and Mr. von Kleist had requested should be provided. Since what was being decided upon at the present meeting was only the procedure for a trial program, there would always be an opportunity later to revisit other issues. What was important, if Directors supported the principle of group travel, was to commit to the proposal and undertake the first visit. Once the budget data were available for examination, perhaps some changes in procedures could be made.

If agreement was not reached on how to proceed, there was a danger that the implementation of the trial program would slip indefinitely, Mr. Clark observed. In his view, the procedures for handling group travel should not be tied up in deliberations in the Budget Committee. At the present meeting, Directors should reach an agreement in principle to fund group travel through hoped-for savings in Executive Directors' budgets overall. Furthermore, they should agree in principle to adopt the World-Bank style procedure for monitoring expenditures, on the understanding that modifications could be introduced later if necessary.

Mr. Waterman said that he would be interested in the staff's specific comments on the workability of the proposal, but, in general, he was quite attracted to the idea. He would certainly be prepared to try such an approach.

The Director of the Office of Budget and Planning noted that the staff had sent reports to Executive Directors' offices on expenses for FY 1993, FY 1994, and FY 1995, the latest of which had been circulated in September of 1995. Each Executive Director's office received a statement of expenses. broken down into categories of salaries, additional assistance, overtime, travel, communications, building occupancy, information services, publications, data processing, and representation. In addition to budget data on their own offices, each Executive Director also received a table showing data for all Executive Directors' offices, but with only his or her own office identified. That information had been provided to Executive Directors every year for the past three years, and it could be provided more frequently, if desired.

Mr. Newman said that he, too, was attracted by the Chairman's proposal for handling the cost of group travel. The Fund's budget had a notional line item for travel by Executive Directors in the aggregate. Perhaps it would be useful for the Budget Committee, when examining the budget, to consider whether the amount allotted for that item was appropriate. If not, the Committee could either adjust it accordingly or propose that the Executive Board itself decide on the matter.

Mr. Coumbis remarked that he liked the Chairman's proposal but felt that it would also be worthwhile to explore Mr. Geethakrishnan's idea. As the data already existed, it would not take much time to assemble the requested figures. Perhaps the work of assembling the data could be expedited, and then a decision could be made about the proposal after the data had been considered.

The Chairman suggested that the Committee prepare for the Board a report in which it suggested that two parallel trials be conducted. The first trial would be the agreed trial program for group travel, with the recommendation that if it was feasible to organize a first visit before the end of June, the second trip of the trial program would take place after the Annual Meetings.

The staff paper would be amended to take into account Directors' comments and to identify those member countries that were viewed as potential recipients of a visit from a group of Executive Directors during the trial period, the Chairman said. If the Board were later to approve a permanent program, it would have to address the issue of whether a broader range of criteria should be established as a basis for choosing which countries to visit.

In tandem with the trial program for group travel, the Chairman continued, the Committee could recommend that the Board develop a system of confidential monitoring of Executive Directors' expenses, based on an objective distinction between controllable and noncontrollable expenditure, at the beginning of FY 1997. The Committee on Executive Board Administrative Matters would assess the performance of that process after a period of six months to determine whether it was useful, effective, and worthwhile to pursue such monitoring.

In order to help Directors form a judgment, the staff would be requested to circulate an interim report on FY 1996 expenses of Executive Directors, and a brief paper explaining the World Bank peer monitoring process, the Chairman said. The Committee's report could indicate that it was expected that a strengthened, collective commitment to generate savings, assisted by such monitoring, could help produce savings that would approximately offset the cost of the travel program.

Of course, the two parallel trials would have to be assessed following the first group travel, and after a period of six months of budgetary monitoring; at that time, the appropriate Board committee would make a final determination on the usefulness and feasibility of the two programs, the Chairman noted. The reports on the two trials could be considered on a lapse of time basis.

Mr. Kafka asked whether it was implicit in the Chairman's proposal that the expenses for the first group trip of Executive Directors would be paid by the Fund rather than through a levy on Executive Directors' existing budget.

The Chairman responded that there appeared to be a general expectation that sufficient savings would be generated under the monitoring approach to finance the cost of the trial group travel program.

Mr. Geethakrishnan asked that the staff recirculate to all Executive Directors the budget statements for the past three financial years, but with separation of categories of expenditure into noncontrollable or controllable expenses.

Ms. Srejber said that she could support the proposal for monitoring Executive Directors' offices' expenses as a first step toward a budget system for Executive Directors; however, she could not agree to the implementation of group travel by Executive Directors without knowing the source of the program's financing. Issues that involved adding to the Fund's budget, or perhaps financing through budget savings, should be taken up during the overall budget discussion so that the Board could set priorities for its activities. Indeed, she herself would not give greater priority to Executive Directors' group travel than to many other Fund activities that she considered more important.

Mrs. Cheong said that she agreed with Ms. Srejber. While a discreet monitoring process would be beneficial, it should be based on the presumption that savings could be generated, rather than on the presumption that Executive Directors' offices were overspending. Most Directors were already careful with their expenditures. Moreover, it was not possible to compare the expenditures of offices with multicountry constituencies with those of single-country constituencies.

She wondered about the source of the funding for the trial group travel program; if peer monitoring and group travel were undertaken simultaneously, any savings would not be realized for at least six months. As Ms. Srejber had said, prioritization was necessary. Many Directors would likely give greater priority to travel related to the concerns of their constituencies than to the learning process of other Executive Directors.

The Chairman observed that there were two possible outcomes to a trial peer monitoring program: either, by maintaining good discipline, one or two group trips a year could be funded without adding any constraints to the operation of Executive Directors' offices and without having to ask for an increased nominal budget, or, at the end of the monitoring period, Directors could still be operating at the limit of what was feasible. Directors would then have to determine whether to discontinue group travel or to find ways to fund it. He asked whether Committee members could agree to reconsider the issue of financing the trial program after a six-month pilot monitoring program.

Ms. Srejber said that she had a strong objection to the suggested procedure for financing the trial program. While she believed that it was important for the Fund to strengthen and make transparent its budget procedure, the Board made budget decisions in accordance with priorities that it had set for all activities of the Fund, not just group travel. If savings were obtained by monitoring the budgets of Executive Directors' offices, she would personally like to use those savings for other activities carried out by the Fund rather than for group travel.

In response to the question posed by the Chairman, Ms. Srejber noted that she was opposed to group travel by Executive Directors, but was willing to go along with a trial period. However, at a minimum the financing of the travel costs should be handled in a proper way. Each budget decision should be weighed according to priorities that were easily understandable. If, when the budget discussion was taken up in the Executive Board, it was the view of a majority of the Directors that group travel expenditure should be given a higher priority than she personally felt it should, she would be willing to accept that decision. However, she could not support embarking on the trial program without first reaching agreement on the source of its financing.

Mr. Clark remarked that, although the financing proposal was not perfect, he found it attractive because it was both pragmatic and relatively principled. While Ms. Srejber and some other colleagues did not deem group travel as a very high priority, to other colleagues it was thought to be a high priority to use Fund resources to gather information, develop perspectives, and make judgments for the betterment of its membership.

Moreover, it was not fair to suggest that the proposal to find savings from within the current budgets of Executive Directors' offices implied that current expenditures on Executive Directors' travel and representation were excessive; what they were was discretionary, Mr. Clark stated. Therefore, judgments must be made about how to use them. If more resources were used on group travel, the implication would be that it was judged to have a higher priority than some other items. That approach had been shown to work in a similar institution. Undertaking the two experiments—group travel and peer expense monitoring—simultaneously was useful because one pilot could be adjusted or stopped if it turned out that the other experiment was not working. Also, it was important to note that the $200,000 expenditure for the pilot program was not particularly large in the context of the overall Fund budget.

Mr. Coumbis said that, like others, he would welcome clarification on how the first trip in the trial program would be financed, as the results of the budget monitoring experiment—and possible savings—would not be made known until after the proposed May/June travel dates.

Mr. Geethakrishnan said that it would be helpful to have budget information from the staff before continuing the discussion. The total expenditure for the trial group travel program had been estimated at about $200,000. It would be useful to have figures for the preceding financial year.

He also asked what was the total budgetary allotment to Executive Directors' offices, for controllable expenditures, within which Directors would be asked to accommodate the costs of the trial program.

The Director of the Office of Budget and Planning said that the total Fund budget for the current financial year was $475 million. The total travel budget was slightly in excess of $40 million. Executive Directors' travel expenditures in the current year were expected to amount to about $2.25 million. Total expenses for all Executive Directors' offices totaled about $35 million, which included both controllable and noncontrollable expenses. Controllable expenses for the Executive Directors' offices totaled about $5 million, of which travel expenses accounted for slightly more than half. The remaining amount consisted of expenses for communications, telephone, telex, representation, overtime, and other items that had been classified as controllable expenditures.

Mr. Kafka said that he would feel more comfortable if, before making a decision, Directors could have a fairly detailed description of the way in which the monitoring system worked in the World Bank.

Mrs. Latifah Cheong emphasized that she did not disagree with the proposal to cover the trial program expenses within existing means; what she took issue with was the priority being attached to group travel. The issue was not so much the amount, but a matter of principle. Proposals of importance to member countries that cost much less, such as technical assistance, had been rejected by Directors.

The Chairman observed that it was clear from the discussion that more time was needed to reflect on the proper course of action. He proposed that three papers be circulated. First, a revised version of the staff paper on the basic features (EB/CAM/96/28) would be issued, with the amendments that the Committee had considered, but not taking into account the budgetary aspects. Second, a paper would be circulated describing the proposed process of budgetary monitoring, based on the World Bank experience. Based on the paper and on the comments of the Bank Executive Directors on their experience, each Director could reflect on whether it would be worthwhile to launch such a program at the beginning of FY 1997. In the third paper, he would circulate a memorandum recording the Committee's views, indicating that, subject to a proper agreement on the budgetary question, Committee members had identified the conditions for starting a trial program of group travel, as well as the conditions under which the Fund could develop a process of monitoring through peer pressure, in a confidential manner, Executive Directors' budgetary expenses.

In his memorandum, he would also indicate that it would be reasonable to undertake the first group trip in the hope that the monitoring process would generate significant savings, and that, after six months, the Committee would need to assess the situation, the Chairman said. In addition, he would note the serious objections raised by some Directors and indicate that agreement still needed to be reached on two issues: first, whether the Committee could make a determination about the trial group travel arrangements before the Committee on the Budget completed its discussions; and, second, whether an agreement could be reached to the effect that, when the six-month review of peer monitoring was concluded, if the expected savings had not been generated, the Committee would have to agree on a source of supplementary resources to pay for the financing of Executive Directors' group travel. Every effort should be made to have the first travel take place before the end of June.

2. BENEFITS POLICIES—HOME LEAVE FOR FAMILIES OF EXECUTIVE DIRECTORS AND THEIR ALTERNATES; AND EDUCATION TRAVEL ALLOWANCE

Committee members considered a staff paper on proposals to modify the home leave and education policies for families of Executive Directors and their Alternates (EB/CAM/96/31, 3/11/96).

The Chairman observed that the staff proposal was intended to adjust the policy for Executive Directors so that it followed that approved for the staff. He asked whether the proposal was basically acceptable or whether it raised concerns that should be discussed by the Committee.

The staff representative from the Secretary's Department, responding to several questions from Mr. Kafka, observed, first, that official travel for both the staff and Executive Directors was one class above economy. The proposal before the Committee was based upon the staff policy for home leave, which was one class below first class. Second, there were some differences in the past rules between the home leave policies for Executive Directors' families and those for staff. The first home leave for Executive Directors' families—for which entitlement was reached on the day the Directors entered their third year of service—is a first-class travel entitlement. Thereafter, the travel was the same as that of the staff, that is, a two-year or a three-year option. However, the staff policy had changed several years ago, when, to simplify procedures, a system of ticketed two-year or three-year options was changed to a single cash allowance for home leave every two years. The staff home leave cash allowance is calculated on the basis of one class below first class, and the minimum stay in the home country is seven days.

Mr. Kafka observed that he was not convinced that it was necessary for Executive Directors to follow the same rules as those for the staff.

Mr. Geethakrishnan said that, viewed as a way to bring about uniformity in policy, the proposal was a good one, but it would be important for Committee members to better understand the possible implications of adopting such an approach. Before expressing an opinion on the issue, he would like to know the details of the travel policy for Fund staff, including the total amount of the home leave payment and how much of it was a cash payment above the cost of air travel. That information would enable Committee members to take a view on the matter. His own preference would be for the home leave payment to be included as part of the overall compensation package, rather than as a cash payment given merely on the basis of travel for a home leave entitlement.

The Chairman noted that it was clear that the paper raised several questions. In his view, it would be useful to allow time for Executive Directors to consult with the staff and have any questions answered before taking up this matter.

Mr. Waterman said that he understood the case for uniform treatment of staff and Executive Directors' offices, but, before an agreement was reached by the Committee, it was important—for the reasons Mr. Geethakrishnan had outlined—to have a general review of the policy on staff home leave travel and its success over the past three years. Like Mr. Geethakrishnan, he had reservations about that policy.

The Chairman suggested that the staff provide further information to individual Executive Directors that might be useful to them in reaching a conclusion on the matter of travel benefits. The Committee could then meet to discuss the issue again.

The meeting adjourned at 4:55 p.m.

APPROVAL: March 19, 1997