CONFIDENTIAL

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COMMITTEE ON EXECUTIVE BOARD ADMINISTRATIVE MATTERS

Meeting 97/1

3:00 p.m., March 20, 1997

A.S. Shaalan, Chairman

Executive Directors	Alternate Executive Directors
B. Esdar	W-D. Donecker
A. Kafka	
	R. Kannan, Temporary
E. Srejber	
	S. N'Guiamba, Temporary
	O. Sein, Temporary

B.R. Hughes, Secretary
K. Fletcher, Assistant

Also Present

	J.A. Chelsky, Temporary
	N. Coumbis
	J.P. de Morais
	H.B. Disanayaka
	A. Fayolle
	J. Guzman-Calafell
	Han M.
W. Kiekens	
	A. Levy, Temporary
	M.F. Melhem, Temporary
	B.S. Newman
	H. Ono
	J. Shields
	A. Vernikov
W.L. Waterman	
	A.G. Zoccali

Administration Department: U. Baumgartner, Deputy Director; K.P. Craig. Legal Department: J.S. Powers. Secretary's Department: M.J. Papin, K. Moran. Treasurer's Department: D. Kelly. Office of the Managing Director: L.A. Wolfe, U.P. Dimitrijevic, H. Mendis. Advisors to Executive Directors: R.F. Cippa, S.S. Farid, J.M. Jones, C.M. Gonzalez. Assistants to Executive Directors: J.C. Estrella, E. Kouprianova, D.G. Loevinger, S. Simonsen, V. Trivedi, A.G. Yakub.

1. BENEFITS POLICIES—HOME LEAVE FOR FAMILIES OF EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS; AND EDUCATION TRAVEL ALLOWANCE—FURTHER CONSIDERATION

Committee members considered further 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). They also had before them as background a requested staff paper on the home leave policy for Fund staff and their dependents (EB/CAM/97/6, 3/21/97).

The Chairman said that, before opening the discussion, he wished to emphasize that, under its terms of reference the Committee was to consider only benefit policies for Executive Directors and their families. The appropriate forum for discussion concerning the staff's home leave policy would be the Committee on Administrative Policies. He would therefore ask his colleagues to limit their comments to issues that fell within the scope of the Committee's mandate.

In their memorandum, some Directors had made reference to referral of any change in the home leave policy for Executive Directors to the Joint Committee on the Remuneration of Executive Directors, the Chairman continued. On that point, he would ask the staff to provide some background, including the scope of authority of the Committee on Executive Board Administrative Matters and that of the Executive Board on the particular issue of home leave.

The staff representative from the Legal Department noted that Board of Governors Resolution No. 34-7 provided that the Fund's Executive Board could make available minor modifications that did not change the basic nature of benefits to Executive Directors and their Alternates. At the same time, the resolution stated that significant changes in existing benefits, as well as new benefits, had to be considered by the Joint Committee and approved by the Board of Governors.

As to the question of what constituted a minor change versus a significant change, that was a matter of judgment and interpretation, the staff representative observed. In that regard, the resolution was not prescriptive; however, in the past, the Executive Board had—after consideration by the Committee on Executive Board Administrative Matters—approved changes that, broadly speaking, maintained comparability between the administration of the benefit for Executive Directors and that for the staff. That practice appeared to be consistent with the intention of the Board of Governors resolution, which permitted changes in the way a benefit was delivered to Executive Directors in light of changes in the administration of the benefit for the staff for administrative convenience and other reasons. Significant changes in benefits and the extension of new benefits—for example, the estate tax safety net facility—had been referred to the Joint Committee and, ultimately, to the Board of Governors for approval.

Under the proposal before the Committee at present, the staff home leave system that included a cash-based entitlement would be extended to eligible family members of Executive Directors and Alternates, the staff representative continued. That modification would not change the nature of the home leave benefit, only the manner in which it was delivered. Moreover, it would maintain comparability with the staff benefit. For that reason, the staff believed that it could be regarded as a minor modification, within the context of the Board of Governors resolution, and thus within the authority of the Executive Board to approve.

As for other proposals that might be put forward in the course of the present discussion, to the extent that a proposal was linked to a change in the home leave benefit for the staff, the Committee on Executive Board Administrative Matters would not be the appropriate forum to discuss changes in the staff policy, as the Chairman had indicated, the staff representative concluded. The process for a change in the benefits available to the staff was for a management proposal to be submitted to the Executive Board through the Committee on Administrative Policies.

Mr. Shields explained that background information that he had circulated to Directors before the meeting was from the American Express travel office, courtesy of some other chairs. The material provided examples of fares for different types of business class airline travel and indicated what sort of cash payment might be made, as well as the actual costs that individuals might have to pay if they purchased restricted tickets. Thus, the material gave an idea of the difference between the benefit provided and the cash that might be paid to Executive Directors' families if the Committee agreed to recommend the approval of the proposal.

Mr. Kannan said that, as stated in a memorandum circulated by his chair, he supported the staff suggestion. There was a need for uniformity.

Ms. Srejber noted that she, too, had circulated her views earlier. For the current discussion, it was important to focus on the proposal before the Committee, in regard to which there were a number of different objectives. One objective was to achieve administrative simplicity, so that the administration of the home leave benefit was as efficient and as low-cost as possible. Another objective, put forward in the staff paper, was that of equal treatment for the staff and Executive Directors. Yet another objective was to maintain a good incentive structure.

Regarding those objectives, it was possible to achieve equal treatment either by changing the staff system or by changing the system for Executive Directors, Ms. Srejber observed. As noted by the staff, it was within the purview of the Committee to recommend to the Executive Board changes in the levels of Executive Directors' benefits to reflect actual costs or other minor modifications to existing benefits. As indicated in her memorandum, however, she believed that the cash payment provided under the present home leave system for the staff contained de facto a portion of remuneration, and thus extending the staff system to Executive Directors would imply that Directors were granting themselves and their families an increase in remuneration. Such a decision would be inappropriate. Executive Directors should not make such decisions themselves. Another way to achieve equal treatment was to adjust the system for families of Executive Directors in line with that of the staff, provided that the staff system no longer included an element of remuneration. In that connection, she had sympathy for the suggestions put forward by Mr. Waterman. It was important, however, to reach a decision, but any compromise had to be one in which Directors did not extend to themselves the considerable cash payments that could take place in certain instances.

Mr. Kafka remarked that he was impressed by and would go along with the arguments of Mr. Waterman and Ms. Srejber. He was of the view that Committee members should find a compromise along lines that did not imply an increase in the privileges of Executive Directors.

Mr. Donecker commented that he, too, believed that there was value in uniformity of treatment of staff and Executive Directors. However, he wondered whether what was being contemplated was an increase in benefits or a reduction. His impression was that the proposal would result in a reduction of the existing benefits, because family members of Executive Directors were, at present, entitled to first class travel. However, he was open to the suggestions and comments of others, particularly as uniformity of treatment was an essential concept that he would like to support. At present, he could go along with either leaving the system unchanged or recommending the changes proposed by the staff.

Mr. Waterman said that it was difficult to separate the issues connected with the policy for Executive Directors from the issues relating to the way in which the staff's benefit was being administered. Depending on the circumstances of each eligible staff member, there were clearly situations in which an individual could be paid an amount considerably in excess of any cost likely to be incurred for home leave travel. It would be very difficult for the Executive Board to extend such a policy to themselves, because the Board had been placed in a position of considerable trust. There was no international civil service commission examining its administrative policies, and it was important that Directors themselves hold that trust with great care. He believed that he knew how his own authorities would react if he were to explain the staff system to them and suggest that it be extended to Executive Directors for their families.

If any change involving a significant cash component were agreed upon for Executive Directors, the issue should be referred to the Joint Committee on Remuneration, Mr. Waterman stated. More generally, the way in which the staff policy had been implemented was flawed and, in his view, management should institute changes in the existing staff policy along the lines suggested by some Directors. He had an open mind as to the specifics of such changes, but he did believe that some reform was necessary. Certainly, he did not believe that the staff system should be adopted for Executive Board members. Moreover, the issue of cash payment for home leave should be addressed by the management in the Board, and soon. He would not like to see the issue disappear for another 12 months.

Mr. Shields said that he agreed with Mr. Waterman. If Directors were to adopt the staff system of a cash payment, that could result in a significant increase in the remuneration of Executive Directors. A dramatic example would involve travel to the United Kingdom: under the proposed system, a Director with two children could collect about $15,000 or more in benefits, based on the cash equivalent of a business-class ticket, and the spouse and children could travel to London for less than $2,000, netting about $13,000 at each entitlement date. In his view, that was a substantial increase in remuneration that Directors should not be providing for themselves. If others wished to pursue the cash option, then he believed that the issue should be put before the Joint Committee on Remuneration. He suggested that, if the staff policy were to be reversed, many who had become accustomed to the level of the cash payment would consider the change a reduction in their remuneration.

The Chairman noted that airfare cost figures had been put forward that differed from those that he had obtained from the Fund's Transportation Section. It was not relevant to consider figures based on travel in restricted economy class, whether low season or high season prices. The proper comparison, in his view, was unrestricted, year-round economy class and year-round business class. In the case of travel between Washington, D.C. and London, the unrestricted, year-round economy class fare was $2,804. The fare for year-round business class was $5,228. Similarly, the fare for unrestricted, year-round economy class travel between Washington and Sydney, Australia was $5,388. The fare for year-round business class was $7,196.

As for the contention that the proposed change in policy could entail a substantial increase in remuneration, and therefore should be submitted to the Joint Committee on Remuneration for consideration, he had understood from the staff representative from the Legal Department that that was not necessary, the Chairman said.

The staff representative from the Legal Department confirmed that, on the basis of the assumption that the proposed change was considered a minor modification, it would not need to be placed before the Joint Committee on Remuneration for approval.

Mr. Shields commented that he had used figures based on a restricted economy-class ticket, because that was how the staff in his office had traveled in the past. A few Directors had suggested basically lowering the standard for all benefits, and if that were contemplated, it might be reasonable to examine the use of unrestricted economy-class travel instead of business-class travel. However, for the purpose of the present discussion, he had intended for his examples to demonstrate the kinds of cash amounts that would be made available to a family under the staff system. In his view, it was perfectly reasonable to consider low fares. As to the Legal Department's interpretation, that point was exactly why he had cited his examples, which indicated that the figures were indeed significant.

Mr. Waterman remarked that many people traveled under airfare rates that were very different from the ones cited by the Chairman. The figures that he himself had cited were based on staff experience. For example, one could quite regularly obtain a fare of $1,500 when traveling from Washington, D.C. to Australia. He was not convinced of the usefulness of comparing costs if based on travel options that most people would not select. Most travelers would use the most economical option available to them, resulting in a substantial margin between the options.

Mr. Coumbis remarked that, in his view, Mr. Waterman's proposal was reasonable. However, consideration should also be given to adopting the Bank's method of administering the benefit. In the Bank, there were several options, among them an option for a business-class ticket every two years and travel in economy class every year.

The staff representative from the Secretary's Department elaborated on Mr. Coumbis's statement, noting that, in the Bank there were four options: two ticket options and two cash options. The two ticket options were a three-year ticket option for first-class home leave travel and a two-year ticket option for business-class home leave; the two cash options were a cash payment based on full, unrestricted economy class travel every two years or a cash payment based on restricted economy class travel every year.

The Committee Secretary added that, the home leave benefit could not be made available to the Bank's Executive Directors before the beginning of the third year of service, because the eligibility for the first home leave was mandated by the institution's By-Laws, as it was in the Fund.

Mr. Ono stated that he supported the staff proposal, as it provided a good balance. In his view, a discussion about staff policy would complicate the present discussion.

Ms. Srejber said that more important than a discussion of differing cost figures was the principle that Directors should not extend the staff system to themselves, because Directors should not grant themselves cash benefits, regardless of whether the change was viewed as minor or major. Moreover, as Mr. Waterman had mentioned, she did not believe that it would be possible to defend such a change to her authorities. If the consensus was to move in the direction of such a change, the decision would have to be made by other than the Executive Board; the issue was one of governance and morals.

Mr. Donecker said that the issue should be examined pragmatically. Airline routing peculiarities and competition meant that prices were inconsistent. For example, it cost $1,000 less to fly from Washington to London than to fly from Washington to Paris, which was a shorter distance. That was due in part to the heavy demand for business-class tickets on the Washington to London route, which allowed airlines to compete with much reduced rates for economy-class tickets on the London route. It was important to consider as well that Executive Directors and the staff often used their home leave benefits to visit ailing parents at home, or to attend funerals, or for special family occasions. At such times, it was not always possible to wait for a low fare, and one often had to choose a standard economy-class ticket. For that reason, he believed that Directors should be examining the issue based on costs associated with the standard economy-class ticket. Another issue was whether to issue tickets only or to provide a cash option; however, in that connection, he wished to note that the figures discussed thus far were misleading with regard to the prices of tickets.

The Chairman pointed out that Executive Directors and their staff were overworked and, because of their full and difficult schedules, could not control when they were able to travel and often had to change their plans at short notice.

Mr. Kiekens said that, in his opinion, the present system of home leave for Executive Directors was clearly outdated, and a change was long overdue. That had also been the case for the staff, and the change for the staff had been appropriate. In the early years of the Fund—the 1940s—the staff and, he presumed, Executive Directors' families were expected to travel once every two or three years to their home countries. Much had changed since then, and there was a need to travel much more often. As Mr. Donecker had stressed, in current times, one was expected to attend more family occasions, such as weddings, times of illness, and funerals, because travel expenses were much less expensive than in the early days of the Fund and because transportation was more widely available than it had been 40 or 50 years ago. That expectation was clearly recognized in other international organizations. For instance, in the European Union, the staff received a home leave allowance for business-class travel every year.

Executive Directors should guard against the perception that any cash payment in excess of the actual cost of home leave travel be considered remuneration, Mr. Kiekens continued. He considered such payments to be appropriate allowances for expatriation and the costs that it entailed. As Mr. Donecker had said, expatriates had many more costs than that relating to one home leave trip every two or three years. Expatriates traveled more often than that and had other costs of expatriation that could be considered transportation costs. For example, he personally had large telephone costs—a modern kind of transportation, in the sense that it was a means of meeting with one's family.

The manner in which he chose to spend his travel allowance should be his decision, Mr. Kiekens went on. If staff members could obtain savings on one trip that would enable them to take more trips or to have other ways of communicating with their families abroad, then he considered that a perfect system. Moreover, he would be cautious with regard to the figures presented by Mr. Shields and others. He had tried recently to have his children, who were studying in Belgium, come to Washington for Easter. Although he had tried all possible routes, it had simply not been possible to obtain a ticket at a decent price that would allow them to arrive before Easter. Home leave was normally taken during holidays; summer and the Easter and Christmas holiday periods were busy travel times. To obtain the lowest fare, a direct flight from Washington to Brussels had to be booked at least one year in advance; otherwise, routes were simply sold out. That did not take into account the difficulties involved when one traveled for a family occasion on short notice. He welcomed any change in the system that would not entail any higher costs for the Fund but would better meet the needs of the staff and Executive Directors' families.

Mr. Shields observed that Committee members should be discussing neither the staff policy nor a repeal of the business-class travel option. The proposal before the Committee was for a home leave benefit that would enable Directors' families to have the cash equivalent of business-class travel. There would be no constraints on when travel could be undertaken. The only difference from the present policy was that, if travelers chose to plan and make their travel arrangements in advance, then they would be able to secure a large cash payment in excess of their costs. The amount of that excess would vary greatly, depending on the time of year, the Director's constituency, the size of the family, and other factors; nevertheless, it would be available.

As for the need to travel on short notice, the Fund already had a plan in place to assist with expenses for family emergencies and deaths in the family, Mr. Shields pointed out. In light of that, it would be useful for Committee members to focus on the issue that the Chairman had identified at the beginning of the meeting, namely, the proposal before them.

Mr. Kiekens observed that he did not understand why families of Executive Directors should be forced, to a certain extent, to spend money in a manner that was not in accordance with their needs and their preferences. It was simply not in line with the needs and the preferences for families to travel business class. At the same time, it should be recognized that one trip to the home country every two years was not sufficient. Other international organizations provided for more frequent travel to the home countries. In that regard, the staff system was preferable, as it was more flexible. In contrast, under the present system for Executive Directors, if one wished to travel luxuriously, one could. However, that created an incentive to overspend by traveling first class—when one did not necessarily need or wish to do so—and then required one to spend one's own money for additional home leave expenses. Under the present system for Executive Directors' families, a Director could not request that a first-class ticket be converted into, say, three economy class tickets. In his opinion, that was not a good system.

Ms. Srejber noted that she had not envisioned keeping the present system, with its option for first-class travel every third year. It would send a wrong signal to retain that option, allowing the families of Executive Directors to travel first class while the staff traveled business class to work for the Fund. Thus, perhaps the differences in the opinions of various Directors were not so great as it seemed. If the discussion concentrated on the issue before them, and the issue about the staff benefits system were to be taken up in the Board discussion of the Quadrennial Benefits Survey, then perhaps the Committee could reach a compromise.

Mr. Newman commented that, as a neutral party, he could certainly see the benefit of a cash option, in terms of efficiency. At the same time, Executive Directors, their Alternates, and their Advisors, as good economists, were profit maximizers within the limitations that the market allowed. He imagined that, consistent with the market, Directors and their offices would do what was economically most efficient for them, given whatever constraints they faced at that moment.

Staff members were required to submit ticket stubs upon return from home leave travel, Mr. Newman observed. He wondered whether an analysis of that data had been conducted, to determine whether the staff had been able to use the system for their own benefit and, on average, what the experience had been. In addition, he would like to know who determined, first, what was considered a minor versus a major change and, second, whether the matter should be referred to the Joint Committee on Remuneration or could be decided upon by the Executive Board.

The Deputy Director of Administration said that the staff did not have data on actual expenditure by staff on home leave travel, as the ticket stubs were used only to determine whether home leave had been taken.

The staff representative from the Legal Department stated that Resolution No. 34-7 provided the Executive Board with some discretion in considering what was a minor change and what was major.

In 1992 the Joint Committee on Remuneration had taken note of recent changes to the Bank staff's home leave policy, which provided for the multi-option system described earlier. In that review, the Joint Committee on Remuneration had considered that the Bank's Executive Board could extend the multi-option system to Executive Directors, beginning with the third year of continuous service, because in its view that would be a minor modification.

The Chairman asked whether there was a precedent in the determination of whether the proposed change would be considered major or minor.

The staff representative from the Legal Department responded that, with respect to the review by the Joint Committee on Remuneration of the change since implemented in the Bank, there was such a precedent.

Mr. Newman asked whether the Joint Committee on Remuneration had itself made a determination that it should consider the issue.

The Committee Secretary clarified that, in 1992 the Bank Board had come to a decision on the Bank staff home leave system, whereas the Fund had not. At that time the Bank had raised with the Joint Committee on Remuneration the question of home leave options for the Directors' home leave policy—both the options themselves and the application of those options, specifically whether to grant home leave entitlement in the first year of service or after the first year of service. The Committee's 1992 report on the matter had addressed only the Bank's policy, because at that time, the Fund had not yet taken a decision on its staff home leave policy. In its report, the Committee had indicated that it would not address the issue of the first-year entitlement proposal until such time as both institutions had come to a decision on their staff policies. In 1993, after the Fund's Executive Board had adopted a decision modifying the staff policy, the Joint Committee on Remuneration had examined the issue of home leave after one year or in the first year of service. It had noted the difference in the Fund and Bank home leave schemes but had seen no compelling reason to recommend a change to allow home leave for Executive Directors in the first year of service.

Mr. Newman remarked that the issue remained whether the precedent applied in the present case or whether the Bank and Fund schemes were fundamentally different.

The Chairman commented that the schemes were not very different. In fact, the Bank scheme was more complicated.

Mr. Fayolle said that he was open-minded on the issue before the Committee. He shared most of the views expressed by Mr. Donecker, in particular the fact that uniformity of treatment was important. At the same time, he found Mr. Waterman's argument quite convincing. He was also interested in Mr. Coumbis's suggestion that the Bank method be adopted. He was in favor of a compromise and felt that the issue should be considered further.

Mr. Kiekens wondered whether Mr. Fayolle, in expressing his belief that there should be equal treatment between Executive Directors' families and staff families and stating that he was attracted by Mr. Waterman's proposal, would also support a reduction of the staff's allowance to be consistent with his first principle that there should be equal treatment between the families of Executive Directors and the staff. That would be the consequence of his position as expressed.

Mr. Fayolle commented that a case could be made for looking into whether there was reason to change the home leave policy based on business-class travel. If a broad-based analysis were needed for such a review, he could agree with that. However, he did not think there was an obvious link between that issue and the other ones raised by Committee members.

Mr. Chelsky said that he wished to follow up on Mr. Newman's question about the use of data to determine how the current staff system was working. As staff members were required to present ticket stubs upon return from home leave travel, surely the financial records existed to construct the requested data; such information would be of interest for the present debate.

As to whether the proposed change was significant, in his view, it was, even if the benchmark were full-fare economy compared with business class, Mr. Chelsky stated. Clearly, moving to cash equivalents for business class travel gave Executive Directors the potential to realize substantial net cash payments. While he acknowledged the desire to have uniformity of treatment between the staff and Executive Directors, he did not believe that the principle of uniformity would be well served by replacing one perceived lack of uniformity with another, namely, a net cash payment that would vary based on family size, distance from the United States, and the amount of competition on air routes to Executive Directors' respective home countries. Contrary to the opinion of Mr. Kiekens, he did not believe that the differential—the other lack of uniformity to which he was referring—was justified by other expatriate costs. In the interest of transparency, if Directors wished to address differences in expatriate costs, that should be done explicitly, and not in the context of a measure formulated to address travel. In his opinion, Mr. Waterman's suggestion contained an element of a lack of uniformity; nevertheless, it should be considered seriously, as it went a long way toward bringing the two sides together.

Mr. Shields observed that he did not believe that the staff representative from the Legal Department had given a final answer on the outcome of the discussion by the Joint Committee on Remuneration. His understanding was that the precedent had been in 1992, when the Bank had referred to the Joint Committee its proposed change in policy with regard to home leave travel. When the Joint Committee had made its determination that the Bank scheme did not represent a significant increase in benefits, it had been considering the extension of the Bank scheme to allow home leave travel in the first year of service, which was not in the current Fund scheme.

The Committee Secretary replied that, when the Joint Committee had considered the matter in 1992, its view had been that there were two different issues involved: one issue was whether the revised staff scheme should be adopted for Executive Directors' families, and the other was that, if the staff scheme were adopted in its entirety, home leave would have been permitted after one year.

Mr. Shields noted that, in 1992, the Joint Committee had pronounced its view on the one-year aspect of the proposed scheme.

The Committee Secretary clarified that the Joint Committee had pronounced that the Bank Board could make the staff options available to the Bank Directors, except for the option to provide the benefit in the first year of service. In other words, the Committee had not wished to change the By-Law that provided for home leave for Executive Directors' families beginning in the third year of service.

Mr. Kiekens observed that there was a clear answer to the question of who should make the determination as to whether the proposed change was minor. Board of Governors Resolution No. 34-7 provided that the Executive Board could make available to Executive Directors and their Alternates modifications to existing benefits that did not change the basic nature of such benefits. Hence the final decision should rest with the Executive Board. In the case of the precedent, he found it likely that the Bank had asked the opinion of the Joint Committee, which had concluded that the proposed change would be acceptable, and the issue had then been placed before the Bank's Executive Directors for decision. Along those lines, as a precedent existed, the Fund's Executive Board could reach a comfortable decision as to whether the issue was within their competence. However, if the Board had a strong reservation, it could follow the same procedure as the World Bank did in 1992 and ask for advice from the Joint Committee on whether it considered that the issue was within the Board's area of competence.

He did not agree with Mr. Newman's suggestion that it would be interesting to have data indicating to what extent the staff was "benefiting" from the opportunity to travel at a lower fare than business class, Mr. Kiekens stated. If such a view were desired, then any such calculations should include the total costs incurred by families in traveling to their home countries. If it were revealed that families indeed only traveled once every two or three years—and that there were no other expenses, such as additional, unreimbursed trips or visits by family members from the home countries—then the benefit might, indeed, appear to be a form of cash remuneration rather than an allowance. However, even then, the case could be made that the allowance was an indemnity for an expatriate position. It was wrong to imply that the staff was abusing the benefit by adjusting its expenditures to better suit its needs. He would not ask to have the information mentioned by Mr. Newman, as it would only complicate the decision-making process and would not add to the debate.

Mr. Levy wondered how one would determine whether the proposed change was major or minor. To measure the change in terms of expenditure by the Fund, he had made a simple calculation based on the figures provided in Table 1, page 6, of the staff paper, comparing the 1993 data on staff home leave travel with the 1996 data. For 1993, expenditure had been $4,970 per capita. For 1996, the Fund's expenditure had been $5,180 per capita, which amounted to a 4 percent nominal increase. Assuming the index the staff had cited in its paper, he had factored in a 12 percent increase in fares, based on international airfare provided via American Express, and that had revealed a real reduction of 7 percent in expenditure in 1996.

Mr. Daïri stated that he did not see the staff proposal as a change in benefits for Executive Directors; nor did he see it as a means of granting cash benefits to Executive Directors. The staff had identified the merits of the system, in view of its experience with the staff system, and it had brought the proposal before the Committee for consideration. He did not understand why Executive Directors should deny themselves, their Alternates, and their Advisors the flexibility that was at present available to the staff, including the staff in the offices of Executive Directors.

Moreover, under the present workload circumstances and in view of the frequent changes in the Board schedule, it was often difficult for Executive Directors, Alternates, or Advisors to adequately schedule home leave for their families, Mr. Daïri observed. In fact, home leave was usually taken during "high season" periods, which effectively prevented travelers from benefiting from the low and restricted fares. He would add that family members often needed to change their travel plans because of family-related or other problems. If an Executive Director purchased a restricted fare for his or her family member, the Director would have to pay an additional amount—sometimes even the full economy price—to make the change in travel plans. He would support the staff proposal.

Mr. Guzmán-Calafell remarked that he understood the valid concerns expressed by Mr. Waterman, Ms. Srejber, Mr. Shields, and others. However, he had a number of concerns as well, which related to the implication of their line of thinking. First, he did not believe that it was possible to state that the proposed policy change might be wrong for Executive Board members but not wrong for the staff. If it were determined that it would not be appropriate for the Board to follow such a policy, then the same considerations used to make that determination—perhaps not all of them, but most of them—would also apply to the policy implemented for the staff. The staff proposal could not be viewed in isolation; it was necessary to consider the implications of such a change with a broader perspective.

Moreover, the proposed change did not involve a budgetary problem, Mr. Guzman-Calafell observed. To the contrary, the staff proposal implied a number of savings. His concern with Mr. Waterman's proposal was that it implied a willingness to spend money for the benefit, but to pay it to the airline rather than to a Board member. He did not consider that rational. On balance, he preferred the staff's option.

Ms. Srejber remarked that she believed that all Directors would agree that it was better that the Fund keep the money than that it be given to airline companies. However, on the issue of uniformity that had been raised, while in principle she supported equal treatment, it was important to consider that the length of the stay in the United States of many Executive Directors' families was considerably shorter than that of the staff and their families, who were expected to remain for the length of their Fund careers. It would be useful to discuss

Mr. Waterman's suggestion, because, frankly, despite all the precedents and legal interpretations presented, in her view the issue was not a legal one, but a moral one. She believed strongly that it would be immoral for the Board to grant itself privileges. Moreover, in her view, any changes in the system of benefits for Executive Directors and their families should be presented to the Joint Committee for consideration; that was in keeping with the principle of good governance.

Mr. Kafka observed that the issue under discussion had arisen only because the Board had taken a decision regarding the staff and now needed to determine how to handle the policy for Executive Directors. There were two ways of dealing with the issue. One was to agree either to extend or not to extend the privileges of the staff to Executive Directors; the other was to cut the privileges of the staff and adopt whatever decision was considered appropriate with respect to Executive Directors. He did not understand why Executive Directors should not discuss the staff policy. The Chairman had made a very strong and convincing argument that the staff policy was not within the purview of the present Committee; however, that did not mean that the Committee could not postpone making a determination on the proposed change in the policy for Executive Directors until it could reach a recommendation that could simultaneously satisfy the desires of the staff and the desires of Executive Directors. He would recommend that approach.

Mr. Newman wondered whether the staff could confirm that the Quadrennial Benefits Survey was indeed scheduled for discussion by the Board in the spring. If so, that might provide an opportunity to consider both issues together.

The Deputy Director of Administration replied that there was not yet a firm schedule for that discussion, but it was expected to take place in the spring of 1988.

Mr. N'guiamba commented that he understood Ms. Srejber's concern about the moral aspect of the issue before the Committee. However, his chair supported the proposed change in the home leave policy for Executive Directors along the lines proposed by the staff, because the change did not imply additional costs to the Fund and would provide Executive Directors' families with greater flexibility in making home leave travel plans. In that respect, he believed that his chair's views were close to those of Mr. Donecker and Mr. Daïri.

Mr. Shields said that he supported Mr. Kafka's suggestion. As the Quadrennial Benefits Survey would be undertaken shortly, the most sensible approach would be to indicate to management a desire to have an examination of the home leave policy for the staff included in that review. He would suggest that the Committee reconsider the question of whether to change the system for Executive Directors after the conclusion of that review.

Mr. Kiekens stated that he would propose the opposite approach. The outcome of the Board's quadrennial review was not clear—although he expected that the status quo would be confirmed, as there was a strong willingness in the Board to maintain the level of staff benefits, which he was also prepared to do. He did not believe personally that the proposal before the Committee was immoral in substance. Moreover, he noted that only a few years ago the Board had considered the proposed scheme an excellent system for the staff. He understood the high degree of hesitation and had noted that a substantial number of his colleagues had problems in making an assessment of whether Directors should take such a decision. Therefore, he proposed that the Committee, first, recommend adjusting the Executive Directors' policy in line with that of the staff, then seek the advice of an independent authority to judge whether such an act was within the Directors' area of competence—if not, the issue should be submitted to the Board of Governors for consideration. If management determined that there was a need to reconsider the staff policy, a review would be undertaken; if that were to result in any changes in the staff policy, those changes would then be considered for Executive Directors as well.

Mr. Melhem said that he could support Mr. Kiekens's suggestions.

Mr. Chelsky stated that he would like to support Mr. Shields and Mr. Kafka in calling for a deferral of the decision, pending the outcome of the Executive Board discussion of the next Quadrennial Benefits Survey. In his view, it was important that the Executive Board lead with its actions, and he was concerned that any decision taken before the quadrennial review could prejudice the outcome.

Mr. Morais remarked that he, too, supported Mr. Kiekens's proposal.

Mrs. Sein said that she supported Mr. Kafka and Mr. Shields's proposal.

Mr. N'guiamba stated that his chair supported Mr. Kiekens's proposal.

Mr. Donecker noted that he agreed with Mr. Kafka. It would be appropriate to follow the staff policy, but he did not believe that it was an urgent matter; thus, it would be best to adhere to the present system and keep the options open. It would not be beneficial to make the matter controversial or to hire outside experts to examine the issue; it was a relatively minor matter. Flexibility for Executive Directors' families should be a goal, along the lines mentioned by Mr. Kiekens. Another goal should be uniformity of treatment. At the same time, with regard to the quadrennial review of staff benefits, care must be taken to ensure that staff benefits were not changed to the detriment of the staff. The long-term policy had been established as one that worked quite well. It had brought financial advantages to the Fund and also suited the staff well, owing to the greater flexibility to react to urgent family situations and other matters. He would be hesitant to change anything in the staff policy.

The Chairman said that he supported Mr. Donecker's last point. It would be extremely dangerous to reduce benefits that had been granted to the staff. It would not be good for morale if the Executive Board were to rescind a benefit system that it had put in place only a few years earlier. Furthermore, some Directors had mentioned the need for flexibility as a rationale for accepting Mr. Kafka's view. Flexibility was provided in the reasonable suggestion made by Mr. Kiekens as well, in that it allowed for a decision to be reversed based on the outcome of either a Joint Committee on Remuneration examination of the competency issue or the quadrennial review of benefits conducted by the Board.

Mr. Kiekens remarked that his proposal was consistent, because the guiding principle was to have equal treatment. His suggestion was that the Committee agree to institute a policy of equal treatment as quickly as possible, while noting its expectation that—applying the same principle—if the staff system were to change subsequently, then the system for Executive Directors would also change. As long as a position taken by the Committee at present would not prejudge the outcome of any future consideration of the staff policy, he saw no reason not to agree to align the policy for Executive Directors' families with that for the staff and their families.

Mr. Daïri agreed that postponing a decision might prejudge the results of the quadrennial review of benefits and might also send a wrong signal about the way in which benefits would be applied to the staff in the future.

Mr. Shields remarked that, on the issue of flexibility, he believed that keeping the status quo was the surest way of not prejudging the outcome of the planned review. Delaying a decision sent no signals and thus left the review to be conducted on its own merits.

Mr. Daïri said that he believed that, on the contrary, after the extensive Committee discussion on the topic, not to take a position—and in particular not to extend the staff system to Executive Directors—could be interpreted as an indication that the Executive Directors were not happy with the way in which the staff system worked and that they intended to change the staff system. He felt that Directors should be cautious in that regard.

Mr. Coumbis commented that he had made his proposal in the interest of flexibility. He had in mind a policy similar to that of the World Bank, perhaps including options for a ticket every two years and a cash option for full economy class every year. He wondered whether it would be possible to apply such a system in the Fund.

The Committee Secretary pointed out that a full economy fare every year would be more generous than the options available in the Bank.

Mr. Newman observed that the difference in the viewpoints of Mr. Kafka and Mr. Kiekens was primarily based on the uncertainties about when the Quadrennial Benefits Survey would take place. In light of those uncertainties, and especially in light of the clear differences of opinion among Committee members, he believed that the path of least resistance would be to retain the status quo; therefore, he would support Mr. Kafka's approach.

The Deputy Director of Administration, in response to a question by the Chairman, clarified that the Quadrennial Benefits Survey did not include a review of expatriate benefits; thus, the home leave and education policies had not been part of the review.

Mr. Newman asked whether the Committee on Administrative Policies could at any time examine the issue of the staff policy with regard to the home leave and education travel.

The staff representative from the Legal Department responded that it was always within the purview of that Committee to take up a matter relating to staff policy.

Mr. Chelsky asked whether there was scope for expatriate benefits to be included in the Quadrennial Benefits Survey—even though the staff had indicated that that was not usually done—considering that there was a cash element in the home leave benefit, and it therefore did have a direct impact on the level of compensation.

The Deputy Director of Administration replied that, in his view, the fact that the benefit was being administered in a different manner did not necessarily mean that it should be included in the Quadrennial Benefits Survey.

Mr. Chelsky inquired whether a review would be considered worthwhile if material benefit were demonstrated, based on data gleaned from an examination of ticket stubs and other cost/payment indicators.

The Deputy Director of Administration responded that the collection of ticket stubs was strictly intended to determine whether a staff member had taken home leave or not. Ticket stubs were not used to obtain any other information. The Administration Department did not collect data on how much the staff spent on their home leave, or on how often they traveled. He suspected that the majority of staff traveled to their home country much more often than once every two or three years.

Mr. Shields observed that one way forward might be to take the available option of raising the issue in the Committee on Administrative Policies. Otherwise, with regard to the Board's quadrennial review of benefits, his understanding, based on the discussion thus far, was that management had the discretion to determine what to include in the Quadrennial Benefits Survey conducted in preparation for the Board discussion. He presumed that management would agree if either the Committee on Administrative Policies or the Executive Board were to suggest that it would be useful to include the home leave policy under discussion.

Mr. Vernikov stated that he believed that uniformity of policies was a strong advantage in itself. Moreover, although the issue was not centered on the budget, Committee members could not ignore the budgetary aspect of it altogether, which was that the simplified administration of the home leave system would achieve further efficiency. Several Directors had addressed the moral aspect of the issue; he wondered whether it would not be immoral to persevere with a budgetary option that was more costly to institution. The Committee had to choose whether to introduce a change or to maintain the status quo; however, maintaining the status quo meant persevering with an odd double-track system until some time in the future when the staff policy might be revised. It was unclear if and when that would happen, pending the outcome of the forthcoming benefits review. On those grounds, he supported Mr. Kiekens's proposal.

Ms. Srejber noted that the views that she had expressed on morality did not apply to the benefit system, but to the way of deciding on the benefits. She maintained her belief that Board members should not decide on their own benefits, but her opinion did not relate to the composition or size of the benefits.

Mr. Waterman reiterated that the policy for Executive Directors could not be examined in isolation from the staff policy. The position of the staff in the Fund was different from that of Executive Directors, but the difference was a matter of degree. The bottom line was that there was a substantial concealed benefit for the staff in the current policy. He personally could not defend the policy if it were to become public information. Thus, in his view, the staff policy needed to be reviewed, and any decision taken in connection with the policy for Executive Directors should be made in the context of such a review. He would be satisfied if the review were conducted by either the Committee on Administrative Policies or in connection with the Quadrennial Benefits Survey. However, he did not believe that the Committee should determine at present whether to extend the policy to Board members.

Mr. Zoccali stated that he was open-minded with respect to a review of the staff home leave policy suggested by Mr. Kafka and Mr. Shields. He was concerned about the implications with regard to governance. At the same time, any benefits review should include an examination of negative aspects of expatriate employment as well, namely, the differential tax treatment with respect to estate taxes and the restrictions on gainful employment, which also implied a negative income for a great part of the staff and their families. Moreover, he would agree with Mr. Kiekens that a review should take account of the higher ongoing costs of maintaining contact with the home country and families abroad. On balance, he would share the views expressed by Mr. Vernikov.

Mr. Donecker remarked that he supported Mr. Vernikov's and Mr. Zoccali's statements that any review of the home leave benefit should include a comprehensive examination of the issues involved. One should not lose sight of the reason that the cash option for the staff had been introduced: to increase the efficiency of the overall administration of the system. Improved administration and efficiency should be goals of any changes introduced for Executive Directors.

Mr. Shields asked whether there would be any one-time costs if the proposed cash option were introduced for Executive Directors.

The Deputy Director of Administration said that that would depend on the way in which any changes were implemented. In the case of the staff policy change in 1993, there had been a period when acquired entitlements could be used, and other special grandfathering provisions had been provided. He was confident that a cash system could be introduced without repeating the few problems that had arisen during the revision of the system for the staff.

Mr. Shields commented that there would probably be some such costs.

The Deputy Director of Administration responded that he could not confirm that there would be any additional costs. He presumed that, if there were any such costs, they would be minimal.

Ms. Srejber stated that she supported Mr. Kafka's proposal on how to proceed.

The Chairman observed that there were differing views among the members of the Committee as well as other Directors who had participated in the discussion. A number of alternatives had been proposed. One option—which had some support but was opposed by many—was to recommend to the Executive Board approval of the changes in line with the staff policy. A second option was to retain the present home leave policy and education travel policy for the families of Executive Directors and further consider the issue. A third option was to defer further consideration of the home leave policy and education travel policy of families of Executive Directors until such time as a review of the staff home leave policy may be concluded. The fourth and final option put forward had been to maintain the business-class ticket option, but to include a cash option as well, which would be based on unrestricted economy class-travel.

Mrs. Sein reiterated that she could go along with Mr. Kafka's proposal.

Mr. N'guiamba said that he, too, supported Mr. Kafka's view.

Mr. Donecker commented that he could also go along with Mr. Kafka. In addition, he would expect that any discussion of possible changes in the staff benefits would include a careful examination of any negative aspects for expatriate staff associated with their status at headquarters as G-4 visa holders.

Ms. Srejber said that she could also go along with Mr. Kafka's proposal, in the expectation that the staff benefit would be reviewed either as part of the Quadrennial Benefits Survey or as a separate project.

Mr. Kannan stated that he could also support the proposal made by Mr. Kafka.

The Chairman observed that there was a consensus in support of Mr. Kafka's proposal to defer further consideration of the home leave policy and educational travel policy for families of Executive Directors until such time as a review of the staff home leave policy may be concluded.

Mr. Waterman noted that the review should be undertaken within a reasonable period of time.

The Chairman replied that that decision was not in the hands of the Committee.

Mr. Kafka said that he would raise the issue himself if the Board discussion on the review had not been held by June or July.

The meeting adjourned at 4:55 p.m.

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