

CONFIDENTIAL

COMMITTEE ON ADMINISTRATIVE POLICIES

Meeting 81/1
3:00 p.m., February 24, 1981

W. B. Dale, Acting Chairman

Executive Directors

G. Lovato

A. R. G. Prowse

J. Sigurdsson

Alternate Executive Directors

O. Kabbaj

A. Nagashima

R. T. Salazar

H. G. Askari, Temporary

C. P. Caranicas

K. V. Jännäri, Temporary

A. Wright, Secretary

J. A. Kay, Assistant

Also Present

L. D. D. Price

M. Casey

Administration Department: M. Russo, Deputy Director; R. M. Broadway,
G. E. Gondwe, J. B. Kaiser. Treasurer's Department: R. W. Groettum,
R. Noë. Assistant to Executive Director: H. Suzuki.

1. SALARY ADVANCES FOR SPOUSES' EDUCATION

The Committee took up a proposal on salary advances for spouses' education set out in Section I of EB/CAP/81/1 (2/11/81).

Mr. Lovato stated that he supported the proposal. He only wondered whether certain conditions should not be attached to the salary advance for spouses' education. His idea was that the participants should demonstrate attendance and interest in the courses that they had followed.

Mr. Price said that he agreed that the facility should cover language instruction as well as vocational and professional training, and would thus serve to provide spouses with marketable skills. The facility should not cover university courses or other courses of a more recreational nature. He hoped that the point could be brought out in the draft decision for the Executive Board.

Mr. Nagashima and Mr. Salazar said that they supported the proposal with the proviso put forward by Mr. Price.

Mr. Prowse inquired why the proposal should begin with a reference to the granting of work permits for G(iv) visa holders. He also wondered whether the staff could give some indication of the potential costs of the facility.

Mr. Casey said that, while he was in general agreement with the proposal, he found it rather open-ended. His understanding was that the purpose was to equip people for the U.S. labor market who already had a work permit. In other words, he wondered whether it was envisaged that a spouse who was, say, a trained accountant would be entitled to borrow under the facility in order to study English Literature.

Mr. Sigurdsson commented that the draft decision set out on page 3 of EB/CAP/81/1 was acceptable. While he could support Mr. Price in the view that the education should be related to marketable skills, he had understood that the point was covered by the staff in its reference to the kind of facilities already available. It seemed to him unwise to incorporate in the decision the kind of reference to the U.S. labor market suggested by Mr. Casey.

Mr. Price said that he agreed with Mr. Sigurdsson's last point. There could be circumstances in which a spouse had been earning income in the home country and had thus accepted a considerable financial loss in coming to the United States with the staff member. It would therefore be reasonable to make the facility available to allow the spouse to acquire further skills not necessarily directed to the U.S. labor market but perhaps more to use on return home.

The Deputy Director of the Administration Department, replying to comments, said that there would be conditions attached to the use of the facility in the sense that while no grades or scores would be required, participants would have to provide documentary justification of cost and attendance. So far as defining marketable skills was concerned, he had discussed the matter with the Administration Department and the Staff Association and had found it very difficult to decide which skills were marketable and which were not. A further reason for referring to non-university training was that if the decision had simply been to extend the education advance policy now in force for children to spouses, the effect would have been to limit the use by the spouses to university education; it would not have covered other types of education that might help in finding a job. The reference to G(iv) visa holders had been included in the paper because the problem of acquiring marketable skills was most acute among the spouses of the Fund's non-U.S. staff, most of whom held G(iv) visas. Many of the spouses arrived in the country without an adequate working knowledge of English, and it was envisaged that they would borrow under the facility for the purpose of improving it. However, since the proposal was linked to the policies applied to salary advances for university education, it would cover all staff members, including U.S. staff. It was difficult to estimate the use of the facility and therefore its potential cost.

There was no way in which the use of the facility could be linked to the holding of a work permit, the Deputy Director explained, because a work permit was only issued when a job was secured.

The Acting Chairman noted that he had recently become more preoccupied than he could have wished with the problems of G(iv) visa holders because they were very serious. Moreover, although the paragraph referred to by Mr. Prowse began with the words "Despite the fact that the U.S. authorities have relaxed their regulations for granting work permits to G(iv) visa holders," spouses and dependents of non-U.S. staff members were still experiencing considerable difficulties in obtaining suitable employment. For instance, although the Department of State had undertaken that the issuance of work permits to the spouses of G(iv) visa holders would take no more than two weeks, in a recent case the issuance, which would allow the applicant to continue in a position already held for many years, had taken seven months. Another difficulty was that the regulations contained indications of the professional or other occupational fields in which permits would or would not be granted. It was therefore most important to provide a facility that would enable spouses whose skills might be in a field where a permit would not be granted to obtain a skill in a field where it was at any rate permissible to obtain one. The Administration Department spent considerable time and effort in encouraging the U.S. authorities to grant better treatment to the spouses of non-U.S. staff members, and it knew that both he himself and the Managing Director were available at any time to assist it in that part of its work.

Mr. Kabbaj said that in the light of the statement by the Acting Chairman he would associate himself with those who approved the proposal.

Mr. Prowse stated that, while he was interested in the problems of G(iv) visa holders, the thrust of the paper had perhaps not been helped by beginning the discussion in terms of a special group. It would have been better to say that the spouses of staff members as a whole encountered difficulties, and particularly those of G(iv) visa holders. It would hardly be possible to justify a recommendation of the sort proposed when so much emphasis was placed on the problems of overseas families. It ought not to be as difficult to define the purpose of the subsidy as the staff had maintained; advances ought to be available only where there was a specified course of training aimed at a specific field of employment. He hoped that the decision could refer to employment-oriented training.

In all such proposals, Mr. Prowse continued, it was desirable that Directors should have some estimate of the cost to the Fund, although he understood that it would be difficult to make such an estimate in the present case. Finally, he wondered whether it was worth placing in the proposed recommendation a suggestion that management be invited to write yet again to the U.S. authorities pointing to the difficulties for G(iv) visa holders and inviting them to reconsider the matter.

The Acting Chairman explained that he was frequently in correspondence with the U.S. authorities on the points Mr. Prowse had described. He had

for instance written on September 2, 1980 directly to the Secretary of State in connection with the individual case he had mentioned. He would certainly continue to correspond with the U.S. authorities. The suggestions for limiting the purpose of the facility put forward by a number of Committee members might cause considerable problems for the Administration Department. While he understood that the desire was not to finance every sort of education, it might be difficult to find a good criterion.

Mr. Price said that he understood the point made by the Acting Chairman regarding the difficulty of finding a criterion. He wondered whether Committee members would be satisfied with having explained the kind of restriction they wished to apply, and to leave the actual implementation to the staff.

The Deputy Director of the Administration Department stated that he did intend to issue specific guidelines. While it was difficult to assert that one skill was marketable and another was not, it was clear that the intention was to help a person to find employment whether in the United States or at home, and not to provide a hobby. Any reference to "a specific field of employment"--the words used earlier by Mr. Prowse--would for instance preclude the use of the facility by a spouse who needed training in English in order to obtain a position in his or her own profession.

Mr. Prowse stated that he only wished to make sure that the facility was related to employment; the implementation could be left to the good judgment of the staff.

After some discussion it was agreed that the words "directed toward employment opportunities" should be added at the end of the draft decision set out on page 3 of EB/CAP/81/1.

Mr. Prowse asked that when the proposal came to the Executive Board it should have some indication of the likely recourse to the facility.

Mr. Sigurdsson stated that, while he agreed with Mr. Prowse that in general any proposal implying a cost should contain some estimate of the likely outlay, as in fact the present proposal was only for a salary advance rather than a direct grant, it might be unnecessary to require the staff to provide a detailed estimate. After all, the cost to the Fund would be only the interest forgone, and it would be sufficient if the staff could give some impression of the amount involved.

Mr. Price said that he agreed with Mr. Sigurdsson. One way of replying to Mr. Prowse might be to calculate the opportunity cost of the amounts involved to the Fund itself. In other words, what yield would the Fund obtain on the balances of U.S. dollars involved if it did not advance them to the staff?

The Acting Chairman replied that the answer would depend on the exact amount of the Fund's U.S. dollar holdings at any given moment. They were

for the most part somewhere between the norm and 100 per cent of quota, so that the yield would be zero, compared to the 4 per cent that would be obtained from loans to the spouses of staff members. In any event, it was the practice to make an annual report to the Executive Board on certain salary advances; the information required by Mr. Prowse would be made available at the same time.

The Committee members agreed to consider a draft report to the Executive Board containing the draft decision set out on page 3 of EB/CAP/81/1 amended by the addition of the words "directed toward employment opportunities."

2. FINANCIAL ASSISTANCE FOR LOCAL DAY CARE FACILITIES

The Committee members took up a proposal for financial assistance for local day care facilities set out in Section II of EB/CAP/81/1 (2/11/81).

The staff representative from the Administration Department noted that in the second full paragraph on page 4 of EB/CAP/81/1 it was said that the United Church was prepared to increase the number of rooms available to the Foggy Bottom Child Development Center, thus providing accommodation for 20 infants and 50 children. The United Church had however decided not to go ahead with the provision of places for the 20 infants, so that the total accommodation would be for 50 children.

Mr. Nagashima inquired, first, how much support was provided by the eight federal agencies referred to in the first full paragraph on page 4. Second, he noted that fees at the center were already \$240 a month or \$2,880 a year, and that they would not be increased as a result of the payment of the rent. He wondered what the charges were for other day care centers in the neighborhood. Third, there was no clear indication of the amount that the United Church was seeking in the form of rent. If the Church tried to raise the Center's rent at the end of 1982, what would the effect be on the contributions by the Fund and the World Bank?

The staff representative from the Administration Department explained that it was only possible to estimate the amount of the federal agencies' contribution by looking at the weekly fees charged to their staff members compared with the average. Those fees ranged between \$32 a week and \$48 a week, as against the average of \$60 a week. It was difficult to compare the fees at the Foggy Bottom Child Development Center with those of other centers in the neighborhood because there were so few. The fees charged by the center were in line with those charged by suburban child care centers. If the agencies did not make a contribution, the fees would have to be increased considerably.

The Acting Chairman noted that assuming a maximum of \$500 per Fund child, as stated in the third paragraph on page 4, in the absence of the contribution the fees seemed likely to increase by \$10 a week.

Mr. Casey inquired, first, why the United Church had decided to become more commercial minded after operating the Center for a considerable period of time. Second, he wondered what the potential (as opposed to the present actual) demand for a day care center near the Fund and the World Bank actually was.

The staff representative from the Administration Department replied that the Church had found that the increases in overhead costs at the Center had been rising fairly steeply, and the fees were being used to help defray the additional costs. As to the potential demand, the Staff Association had conducted a survey which had shown that if a facility were to be available in the buildings of the Fund or the World Bank, some 40 Fund children alone were likely to make use of it. The absence of a day care facility was therefore a matter of real concern to many staff members.

Mr. Prowse inquired whether the staff had any evidence that the existence of suitable facilities would help to prevent the loss of experienced and trained women staff members after the birth of children. Had there been a survey, or was the evidence only casual? He also wondered how the maximum of \$500 had been determined, and was it the intention to grant the maximum of \$500 for each Fund child? Similarly, he wondered whether the intention was to specify the maximum commitment by the Fund; the only limiting figure at the moment was to be found in the observation that if a second center should open in the vicinity of the Fund and if management were to support it, the total annual cost would be unlikely to exceed \$20,000 a year.

More generally, Mr. Prowse went on, he wondered whether the Fund should be involved in financing such an amenity. He noted that eight federal agencies in the city supported such centers, and no doubt similar centers were run in the private sector. But the main justification would have to be the ability of the Fund to attract and retain staff. Even so, there seemed little doubt that the day care center would benefit a particular segment of the staff, a matter on which the Executive Directors ought to be particularly careful. He therefore wondered whether any statement could be made regarding the number of people likely to be affected.

The staff representative from the Administration Department explained that his Department had based itself to some extent on a survey made in the Washington area, which showed that when a facility of the sort had been instituted in an organization, the improvement in the ability of the parents to observe better work discipline had been quite pronounced and the staff turnover among women was vastly improved. Until a day care center showed signs of coming into existence, it was difficult to be precise on how many would use it. Naturally, if the contribution was based on a figure of \$500 per Fund child admitted, the total cost to the Fund would depend on the numbers for whom places were actually found. The figure of \$500 per child had been selected after discussion with the staff of the Foggy Bottom Child Development Center and the Personnel Management Department of the World Bank on the basis of the possible number of places

for Fund/Bank children and of the estimated increased operational costs of the Center. Although the staff was concerned in the present instance with the Foggy Bottom Center, it was also looking at the broader picture. Within the next two years, if other centers opened in the neighborhood, it was hoped to make a similar arrangement with them. It was therefore not at all easy to produce a useful maximum figure. The possible \$20,000 was estimated on the basis that at present some 40 Fund children wished to be enrolled in a day care center adjacent to the Fund.

The Acting Chairman suggested that Mr. Prowse's point might be met by adopting the first paragraph of the draft decision on page 6 of EB/CAP/81/1, and leaving the second paragraph in abeyance.

Mr. Price said that he welcomed the Acting Chairman's proposal. He would be interested to know how the World Bank had reached its figure of \$25,000 a year maximum; if the basis was the same \$500 per child, the implication would be that the World Bank would be taking up 50 places, which seemed rather a high proportion.

The Deputy Director of the Administration Department explained that the request had only been put forward after long discussions with the Staff Associations in both the Fund and the World Bank. The Staff Associations had for long been asking for the establishment of a day care center, and some progress had been made in the World Bank, where the decision could be taken by management without approval of the Executive Board. It was with a view to acting in a parallel fashion that the Administration Department was now putting forward the present proposal. As he understood it, although the principle of the grant had been agreed upon in the World Bank, no decision had yet been taken on the way in which to apply it. One of the questions that was still unresolved was whether to provide the grant to the institution offering day care, or to the individuals whose children were being looked after. On the Fund side, there was a strong conviction that the subsidy should be made available to the institution and not to individual staff members. It would be very beneficial to have a day care center in the immediate neighborhood of the Fund and the World Bank rather than in the suburbs. The figure of \$500 per child had been worked out on the basis of a request submitted by the Foggy Bottom Child Development Center, in terms of the additional fees that would be required if the contribution was not made. The World Bank approach might not be exactly the same as that adopted in the Fund, even though the amount per child would be identical.

The staff representative from the Administration Department added that the World Bank would apparently be prepared to support another similar facility in the area if the demand for space exceeded the capacity of the Foggy Bottom Center. There were indeed some people in the World Bank who would not object to making contributions to child care centers outside the adjacent area. However, the Fund's Administration Department had taken the line described by the Deputy Director, and it did seem possible that the World Bank would adopt the same course.

Mr. Prowse commented that the possibility of making contributions to other child care centers led him to inquire why the Fund should be subsidizing child care, rather than parking or bus travel. As the matter was being treated as one of employment incentive, he would not object, but it did raise a number of matters of principle. Perhaps it would have been better to take a survey of the staff and to inquire whether it preferred to have financial assistance for child care, or free parking in the Fund building. The general point ought to be examined very carefully, or the list of questions of principle would become very extensive.

The Acting Chairman commented that the subsidy could be thought of as the additional cost of maintaining a child care center closer to work rather than in the suburbs, the benefit of the former being that the child would be close to the place of work. Moreover, the Fund did subsidize parking already, to the extent of roughly 50 per cent of the price of comparable parking in the area.

Mr. Price stated that he was not opposed to support for a day care center. There were substantial cost savings to the Fund in not having to replace women staff members after the birth of children. However, he had doubts about giving a grant to a particular center. As he understood it, the contribution would only serve to reduce the cost for a Fund child attending the center by \$500 a year if the division of places between the Fund and the World Bank worked out exactly as described. Moreover, if the proposal in the second paragraph of the draft decision, to extend the contribution to other neighboring day care centers, was adopted, the number of Fund children in the other centers might be very small indeed. It might therefore be better to think of subsidizing staff members rather than day care centers.

Mr. Nagashima stated that, although he sympathized with Mr. Price, he could support the Acting Chairman's proposal to limit the proposed decision to the first paragraph, and to specify the maximum amount in the draft decision. The benefit would certainly accrue to a particular segment of the staff, so that any increase in cost should to some extent be borne by the beneficiaries. For instance, if the United Church raised the rent to be paid by the Center, any such increase should be shared by the beneficiaries.

Mr. Caranicas suggested that, in view of the growing number and complexity of staff benefits, it might have been better to integrate them all into the salary, and thus avoid all the bureaucracy involved in administering individual benefits, particularly when coordination with the World Bank was needed. In general, he had no objection to the proposals in the paper; naturally, the parents were defraying the expenses for having their children kept while they were working, so it was unnecessary to go to such lengths to justify the proposal. However, to claim that there would be increased staff productivity when a staff member was able to collect a child from a nearby center was clearly an exaggeration. He wondered what was meant by the statement on page 5 to the effect that the Fund and the World Bank would neither participate directly in the operation

of the Center nor would they bear any financial or legal responsibility. Did the staff for instance mean that the two agencies would participate indirectly?

He would go along with the proposed draft decision, Mr. Caranicas concluded, but he wondered whether it would not be better, and in accordance with the Fund's usual practice, to place elsewhere in the paper the paragraph following the decision.

The staff representative from the Administration Department, replying to Mr. Price's suggestion that the subsidy should be paid to persons rather than to a center, explained that the proposal had been put in its present form because it would be to the advantage of the Fund to have the children of staff members taken care of in the neighborhood. If the scheme were extended to the suburbs by subsidizing the parents of children, the payment would become an allowance, and tax difficulties could arise. Moreover, in discussions with the World Bank the feeling had been expressed that if the support were justified on grounds other than those set out in EB/CAP/81/1, there might be legal difficulties as well.

Mr. Price wondered whether the Fund had in fact the power under the Articles to make a contribution to a day care center.

The Acting Chairman replied that he had been assured that expenditures related to good relations with the community or designed to improve staff morale, such as those made by the Fund in connection with the Bretton Woods Recreation Center, were fully appropriate. The argument was that the Fund would expect to improve both morale and productivity among the staff because of the expenditure.

The staff representative from the Administration Department added that, so far as the phrase "would not participate directly" was concerned, the intention was to say that the Fund and the World Bank should at least be able to inspect the accounts and from time to time see how the Center was being run. Neither institution would have any representation on the Board of Trustees or take part in the administration of the Center.

Mr. Jännäri stated that, having four children and only one car, he tended to be biased in favor of subsidizing children rather than parking spaces. He would be quite satisfied to begin by limiting the draft decision to the first paragraph. However, he knew that the Staff Associations both in the Fund and in the World Bank had been trying to obtain a more general solution to the question of day care for their children, and he wondered whether the Deputy Director of the Administration Department could give any information about the status of those negotiations.

The Deputy Director of the Administration Department explained that both Staff Associations wished to have the day care center on the premises of the Fund or the World Bank, preferably in the Fund's Phase IIa building. However, such an arrangement would create serious problems, and it was for that reason that the Administration Department preferred the limited approach of making a contribution to a center that was near the Fund but not on its premises.

The Acting Chairman proposed that the words "up to a maximum amount of \$10,000 a year" should be added at the end of the first sentence in the draft decision, which should be limited to the first paragraph of the draft on page 6. While such language would mean that the management did not have standing authority to act in a similar way with respect to a second day care center in the vicinity, it also meant that management might come back with a further proposal if a second day care center was established, or needed some form of support in order to be established.

The Committee members accepted the proposal by the Acting Chairman and adjourned at 4:15 p.m.

APPROVED: July 23, 1981