CONFIDENTIAL

COMMITTEE ON ADMINISTRATIVE POLICIES

Meeting 81/3

3:00 p.m., August 6, 1981

W. B. Dale, Acting Chairman

Executive Directors	Alternate Executive Directors
	H. Alaoui-Abdallaoui, Temporary
	A. Nagashima
J. C. Iarezza	
R. K. Joyce	
	M. Michelangeli, Temporary
Y. A. Nimatallah	
A. R. G. Prowse	
	L. Vidvei

J. W. Lang, Jr., Acting Secretary
J. B. Edgerly, Assistant

Also Present

	C. Taylor
M. Narasimham	

Administration Department: R. Tenconi, Director; R. M. Broadway, A. D. Goltz, G. E. Gondwe, W. B. Hobbs, P. D. Swain. Legal Department: J. G. Evans, Jr., Deputy General Counsel. Treasurer's Department: C. A. Macchiavello. Advisors to Executive Directors: S. E. Conrado, J. U. Holst. Assistants to Executive Directors: Jiang H., Y. Okubo.

1. EDUCATION ALLOWANCE REVIEW

The Acting Chairman observed that the proposals in the staff paper reviewing the Fund's education allowance policy, including a draft recommendation for the Executive Board (EB/CAP/81/4, 7/30/81), had been worked out in close cooperation with the Compensation Department of the World Bank. The Bank's Executive Board had already approved the proposals contained in the paper.

Mr. Iarezza remarked that the 10.7 per cent increase in education allowance for staff members who sent their children to schools in Washington would not cover 75 per cent of tuition at some schools, specifically the Washington International School. On the other hand, due to

the increased cost of education in the United Kingdom, the paper proposed an increase of more than 10.7 per cent in education allowance for children attending schools outside the duty station country because a 10.7 per cent increase was not considered to be enough to cover 75 per cent of tuition expenses. He wondered why there should be a difference in treatment.

The Director of the Administration Department responded that the objective of the education allowance system was to cover 75 per cent of tuition costs for 90 per cent of the eligible children. Coverage of Fund children in schools in Washington, D.C. would certainly exceed that proportion. In the case of the Washington International School, only in the top grades would the maximum allowance not cover 75 per cent of tuition costs.

The suggested increase in education allowance for children who attended school in the United Kingdom was of more consequence to the staff at the World Bank than at the Fund because the World Bank staff had a far larger number of children being educated in that country, the Director noted. With the recent increase of tuition fees in the United Kingdom, an increase of 10.7 per cent in the allowance would not have covered 75 per cent of the tuition costs for 90 per cent of the cases. For that reason a larger percentage increase would be necessary; however, the additional expense for the Fund resulting from the additional increase would be negligible.

Mr. Prowse commented that the purpose of covering 75 per cent of the tuition fees for 90 per cent of the children of eligible staff members was not to provide the staff with the freedom to select more expensive schools. It seemed inconsistent with that principle to grant an across-the-board increase in education allowance simply because a limited number of U.K. schools were now charging much higher fees. If the costs for a number of schools were no longer in line with the majority, those who wished to send their children to the more expensive schools should be prepared to pay a larger proportion of the tuition costs.

The Director of the Administration Department remarked that the policy just mentioned by Mr. Prowse might force some parents to transfer their children from more expensive to less expensive schools during the course of the children's schooling. Providing coverage for 90 per cent of the cases did not promote a change to more expensive schools; it would only help to protect those who were already sending their children to expensive schools.

Mr. Prowse responded that the figure for the maximum available under the educational allowance program nevertheless was inflated by the costs of the very expensive schools. Expenditure standards rather should be derived by excluding the top tier of schools from the calculations. The Fund should not support education at the most expensive schools to which the Directors and staff would be unlikely to send their children in the absence of generous assistance.

The Acting Chairman remarked that if the staff's sampling excluded the top schools it would not include a number of schools to which, in practice, members of the Fund and the World Bank had been sending their children.

The Director of the Administration Department noted that the average cost of schooling in the United Kingdom in the academic year 1980/81 was estimated to be $7,600. Seventy-five per cent of that figure was considerably more than the maximum provided under the education allowance program. The fact that there was 75 per cent coverage in 90 per cent of the cases meant that a large portion of the children of Fund members attending school in the United Kingdom were at schools that charged below average rates for tuition.

Mr. Joyce said that, in the United Kingdom, not a small group of schools, but rather a broad range of prestigious schools, the so-called "public schools," had raised their rates of tuition significantly.

Mr. Nimatallah said that he supported the proposed increases in education allowances.

Mr. Iarezza commented that, although he understood the reason for the difference in the allowance for students enrolled in duty station countries and those enrolled in nonduty station countries, the impression of a discrepancy could still persist. Therefore, he could support the proposal in the staff paper with one amendment: that the maximum allowed for students enrolled in Washington schools be raised to $3,200.

Mr. Nagashima remarked that, although he felt there were some inequities between proposals A and B in the staff paper, he would go along with the proposals since they had already been approved by the World Bank Executive Board.

Mr. Michelangeli and Mr. Alaoui both said that they could support the proposed decision.

Mr. Prowse expressed his support for the proposals, but said that the basis for the calculation of education allowances should be examined further before the decision on next year's adjustment.

Mr. Vidvei remarked that he agreed with Mr. Prowse's position.

Mr. Joyce commented that he had reservations with regard to the provision for higher educational costs in the United Kingdom. But, since that distinction--which had been generalized to cover education expenses in all nonduty station countries--was of particular importance to the staff at the World Bank, he could support the proposal.

Mr. Iarezza restated his opposition to the differential treatment proposed with regard to allowance for education expenses in duty station and nonduty station countries.

The Committee agreed to recommend that the Board approve the following decision on a lapse-of-time basis:

a. The maximum allowance for education in duty station countries shall be increased to $3,100 from $2,800 per year.

b. The maximum "base allowance" for tuition and boarding fees in nonduty station countries shall be increased to $4,500 from $3,500 per year.

c. When children are studying outside the duty station country, the "base" subsistence grants at primary and secondary levels shall be raised to $1,100 from $1,000 per year and at post-secondary level to $2,200 from $2,000 per year.

2. EXTERNAL ASSIGNMENTS FOR PROFESSIONAL AND CAREER DEVELOPMENT

The Committee considered a staff paper on external assignments for professional and career development including a draft decision proposed for adoption by the Executive Board (EB/CAP/81/5, 7/30/81).

The Acting Chairman commented that the paper before the Committee reflected the fact that the management wished to encourage promising regular staff members, particularly those in ranges F-I, to undertake external assignments when it was evident that the work would broaden their background and professional experience.

Mr. Joyce said that he supported the proposal. He asked the staff to clarify the new category of "leave without pay (LWOP) in the interest of the Fund," as the paper seemed to indicate that the proposed benefits were already available to most of those included in the new category.

The Director of the Administration Department noted that there were several subgroups within the new "leave without pay in the interest of the Fund" category. One category was for staff members who took technical assistance assignments with member country governments. Members in that category received no additional benefits because they were covered by an entirely different program. There were two other subgroups, namely staff members on external assignments and staff members on special study leave. The proposal would give staff members on external assignment the same benefits as were currently granted to staff members on study leave. The new LWOP category recognized that the Fund was enriched just as much by the experience that a staff member gained while on temporary assignment at an institution within a member country as it was when a staff member took a temporary position at a university.

Mr. Nagashima remarked that he supported the proposal, although he doubted whether the new "LWOP in the interest of the Fund" category would achieve the intended purposes. Even with the fringe benefits that the Fund provided, staff members might be unwilling to take temporary positions in member countries because they would be forced to take a temporary cut in salary. Based on his own experience in arranging a temporary position for the Fund staff in an official agency in Japan, he was not certain that the program would be effective.

The Director of the Administration Department observed that he expected the program to be successful because experience thus far had indicated that the benefits suggested in the paper would be enough to meet the needs of staff members on external assignment. It might be overgenerous for the Fund to offer greater benefits to those on the external assignment leave program than those on special study leave. Furthermore, the middle-of-the-road approach that the staff paper proposed would maintain the distinction between those on technical assistance assignments and those on external assignments in the interest of the Fund.

The Acting Chairman noted that participation in the LWOP program might entail some degree of financial sacrifice for a staff member, but the experience gained while on external assignment could also make a significant contribution to his future career at the Fund. Also, since the Fund prohibited governments or outside authorities from making payments to staff members serving with the Fund, it might not be judicious to institute a policy that would condone that very procedure in reverse.

There had been one particular case, the Acting Chairman recalled, where a member government had requested one of its own nationals under the technical assistance program. The request had been refused because it was clear that the national institution concerned had been unable to attract that individual from a financial point of view and, in effect, had hoped that the Fund would be able to step in. The Fund should avoid instituting any policies that would allow such situations to emerge by way of precedent.

Mr. Narasimham stated his agreement with the observations made by the Acting Chairman, but remarked that there was a clear distinction between LWOP for study, and LWOP for special assignment. An individual in the latter category was not going on leave primarily to further his own career development; rather, he was taking leave in order to assist a government or even a nongovernment institution in a member country. Indeed, no conflict of interest should be created by the staff member receiving a salary from both the Fund and the national institution. It should be recognized, however, that in many home countries a staff member would receive but a fraction of the salary that he received at the Fund. Furthermore, in most cases, those salaries were taxable.

Since a staff member did more than advance his own career when taking LWOP to assist a national institution, there was a good case for an even more generous treatment with regard to fringe benefits, Mr. Narasimham commented. In particular, since the salaries of those on that type of leave might not even be adequate to cover Fund pensions and other contributions, the policy on the interest-free salary advance might be made more liberal. A possible alternative would be to extend the salary advance to twelve months on a case-by-case basis.

Finally, referring to the ceiling of five staff members in the "LWOP in the interest of the Fund" category at one time, Mr. Narasimham said that there might be considerable demand for the program, and that the rule might be made more flexible.

The Director of the Administration Department noted that there was a need for a ceiling so that the possible success of the program would not result in a depletion of staff members at the Fund. There was also a ceiling of five on the number of staff members who could take annual sabbatical leave at one time; if the two programs were combined over a two-year period, the total number of staff members on leave would be about 25 per cent of the number joining the staff through the Economist Program. That was already a very high ratio, and a ceiling was needed so that it would not be exceeded.

Mr. Prowse commented that he supported the proposal, and was quite pleased that the management had brought it forward. He agreed with Mr. Narasimham that, while there was a need to set a ceiling on the number of staff members involved in the LWOP, five was a very small number in relation to the total number of the staff. He was willing to support a proposal that would raise that ceiling by a moderate amount.

The LWOP program should be limited to two years because leave for a longer period was likely to cause an individual to become more of a local than a Fund staff member, Mr. Prowse considered. The option for a third year should be left out of the proposal, and the scheme should be reviewed by the Committee within two years to determine whether anyone in the program was in need of a third year's leave.

Since LWOP for special assignment was clearly in the interest of the Fund, Mr. Prowse considered, staff members temporarily leaving the Fund under that scheme should receive at least the same incentives and benefits as those under LWOP for study--an option that would primarily benefit the individual. However, the six-month salary advance provided under those arrangements would, in many cases, be a very large amount, probably in excess of what was required for the purposes that the scheme had in mind. There were some categories of staff at the Fund who were not able to obtain a six-month salary advance under any circumstance.

Would those on leave without pay for the purpose proposed receive the salary advance automatically, Mr. Prowse inquired, or was the advance to be subject to considerations such as where the study or the assignment would be undertaken, what the member's family commitments were, or how long the leave would last? It would not be appropriate if members received a six-month salary advance--essentially an interest-free loan--on the basis of a six-month or seven-month appointment. Finally, was an officer, having undertaken an external assignment, expected to remain on the Fund staff for a certain period upon his return, or was he free to leave at his own discretion?

The Director of the Administration Department said that the salary advance was only granted to meet specific needs. For instance, a salary advance could be used to pay for the staff retirement plan, the medical benefits plan, a specific expenditure such as a mortgage in Washington, or, if a staff member went into a country where the salary was simply too low, as a supplement to his salary. There was strict control over salary advances granted for leave without pay under both the special assignment and the study leave subcategories.

The three-year maximum on the period for leave had been established so that the scheme would cover all possible cases, the Director remarked. The ceiling could be reduced to two years if the Committee so preferred. There were a number of informal understandings as to how long a staff member was obliged to remain at the Fund after returning from leave. Those returning from sabbatical leave were expected to stay at the Fund for five years; staff members returning from a special study program were expected to remain for three years. By way of extension, under the new "LWOP in the interest of the Fund" scheme, a candidate desiring to undertake an external assignment should also expect to remain at the Fund for, say, three years after his return.

Mr. Joyce agreed with Mr. Narasimham that the program would be jeopardized by the fact that participants would have to take a real cut in pay. The problem of double pay could be resolved if the Fund recouped the salary that the staff member was receiving from the national government involved while continuing to retain the individual on the staff payroll. That would be a more costly arrangement for the Fund, but it would involve only a small population at any given time. Under such an arrangement, it would be important to examine whether the Fund's interests were served and whether the scheme was initiated by the Fund rather than in response to an individual's desires.

An individual should not have to take a cut in salary if selected by the Fund to go to a country for training, Mr. Joyce considered, although such an occurrence would clearly be an extreme case. Of course, the opposite situation might be that the Fund staff member was earning far more than his local colleagues. One possible way of dealing with the matter was that the Fund should pay the difference between the pension fund contribution that the LWOP participant was able to make based on a salary scale within the country of leave, and the contribution that would be required by virtue of his normal salary at the Fund. There were probably a number of ways that the program could be enriched; therefore, as Mr. Prowse Prowse had suggested, it would be worthwhile to review it in a year's time, both in order to assess the staff's response, and to see whether there were any obvious problems that needed to be eliminated. If proposals to enrich the benefits of the LWOP scheme were thought to be premature, it would be possible to reconsider them at the time of the review.

Concluding his remarks, Mr. Joyce asked what would happen if a staff member who had received a six-month salary advance left before the six-year period for repayment was completed. Did the balance of the advance become instantly repayable, or was it repayable over the remainder of the six-year term?

The Director of the Administration Department answered that all loans granted by the Fund were repayable immediately upon the termination of employment. Management had hesitated to expand the salary advance from six to twelve months because a salary advance was essentially a loan without collateral. In the case of a housing loan, the house could be regarded as collateral; when the house was sold, part of the proceeds could be used to pay off the balance of the loan. There was no such safeguard with personal loans, however.

There were two additional reasons why the management hoped that both subcategories in the LWOP program would receive the same benefits, the Director remarked. First, it did not want to promote a proliferation of programs, each with its own set of benefits. Second, although the study program definitely involved an element of personal advancement for the career of the staff member, in both the study and special assignment programs it was expected that the enrichment that the individual gained during the period of leave would be of value to the Fund.

In addition to the conflicts of interest that might arise if the Fund continued to pay a salary to staff members on a leave, such an arrangement might also circumvent the prohibition on sending salaried staff members to technical assignments in their own country, the Director of the Administration Department said. That prohibition would in essence be circumvented if staff members were sent to their own country on special assignment leave while remaining on the Fund payroll.

Mr. Nimatallah said that he was in favor of the new LWOP program but he also supported the proposal that the decision include a review clause. The suggestion of a one-year review was acceptable, but a two-year interim period would give the staff more time to assess the program's progress. He asked what the employment status was of a staff member who took a temporary position in the office of an Executive Director.

The Acting Chairman responded that such an individual remained a staff member; however, during his tenure in the office of Executive Director that individual did not owe his or her duty exclusively to the Fund.

Mr. Narasimham agreed that there was no need to proliferate the number of programs offered, but he maintained that the third category under the LWOP program, "special assignments," was substantially different from study leave. As all loans were repayable immediately upon termination of employment at the Fund, the management should take a more generous approach to the salary advance for staff members in that category. The salary advance might not be used only to make payments for the medical, pension, or insurance contributions; it might also be needed to cover initial settling-in and capital expenditures. If, for example, a person was to go to India, Bangladesh, or Sri Lanka for two years, his initial purchase of even a small-size car would cost him up to $10,000-$12,000. Since it was implied that he would only be able to ship a limited portion of his personal effects, he would also have to acquire some household effects if he was to remain at the post for several years. The salary advance was a loan, not a grant. Just as the Fund provided an installation allowance for staff members coming to Washington, it should be willing to provide a staff member going on leave with up to a twelve-month salary advance.

Furthermore, Mr. Narasimham said, the Director of the Administration Department had noted that staff members who received full pay while on sabbatical were expected to remain at the Fund for five years after their return. Was it fair to expect that an individual who did not receive a salary from the Fund while on leave would remain at the Fund for a certain number of years after his return?

Mr. Michelangeli asked whether a staff member who received a higher salary while on leave would be eligible for the benefits under the LWOP scheme. He also asked what percentage of the estimated $30,000 additional cost of the new LWOP program was for the interest-free salary advance.

The Director of the Administration Department remarked that the $30,000 additional cost, mentioned in EB/CAP/81/4, was only for the additional benefits that the Fund would grant. As was the case for the various types of loans, the Fund did not include salary advances in the budget because management assumed that the advances would be reimbursed.

The Acting Chairman, responding to the question on benefits for a staff member receiving a higher salary under the LWOP program, said that the justification required for a salary advance would prevent a member in such a position from receiving a very substantial salary advance. The only exception would be if a staff member went on assignment in a country that had an extremely high cost of living and very expensive housing.

Mr. Alaoui remarked that a LWOP arrangement would actually be in the interest of both the Fund and the organization where the staff member was assigned. He therefore supported Mr. Prowse's proposal for an increase in the ceiling on the number of staff members that could participate in the LWOP scheme. He also asked what the demand for the program had been thus far.

The Director of the Administration Department answered that, at the present time, applications by three staff members were under consideration. The department concerned, the staff member, and the receiving institution had more or less agreed to the merits of sending the individuals to the countries for one or two years. Currently, there was already one person on external assignment to the Bank of England, now in his first year;

another would be going to the Reserve Bank of India, and a third to the Ministry of Finance in Germany. One staff member had been considering a position in Austria, but the status of that assignment was uncertain at the present time.

Mr. Iarezza said he would agree to the proposal, amended to include a review of the program after one or two years. At the time of the review, special consideration would have to be given to whether or not an anticipated cut in salary had prevented staff members from utilizing the facility.

Mr. Taylor stated that he strongly supported the proposal because it would contribute to a greater international interchange among professionals. The ceiling of five participants per year was rather restrictive; if a two-way exchange could be arranged between the Fund and cooperating institutions, the LWOP program could be expanded beyond the proposed limit without creating the manpower problems to which the Director of the Administration Department had referred.

Mr. Holst said that he supported the proposal and agreed with Mr. Narasimham's suggestion that the provisions for the shipment of personal effects and the salary advance should be reviewed within one year.

The Acting Chairman noted that there was considerable support for a higher ceiling on the number of staff members that could participate in the LWOP program. Mr. Taylor's suggestion for a two-way exchange between institutions might enable the Fund to get around that limitation. There had been some support for Mr. Narasimham's suggestion that the norm of a six-month salary advance should not preclude, in exceptional cases, an advance of up to twelve months. It had been generally accepted that Mr. Prowse's idea of adding a review clause to the proposal--certainly with no predisposition to terminate the program--would be the best means of determining whether it was accomplishing the purpose in mind. Whether the review would come after one or two years had yet to be decided. As to the proposal for an extension of the period of leave for up to three years in exceptional cases, it could either be eliminated or left for review.

Mr. Joyce suggested that management should report on progress on the LWOP program within one year even if the Committee decided that the formal review period should be two years.

The Acting Chairman agreed to a review within one year; however, that review should not prevent the Administration Department, in the interim, from authorizing a two-year leave.

The Director of the Administration Department stated that at the present time there was a swap program under consideration with other international organizations, specifically the OECD and the World Bank. The swap, however, would not be under the LWOP program. It would simply be a swap, a normal leave of absence without pay, and without any fringe benefits; the other organizations would simply hire the staff member for one or two years, and the Fund would do the same for the staff member of the other organization. The swap arrangement would not be included within the ceiling of the LWOP.

The Acting Chairman said that it was important to realize that raising the ceiling on the LWOP program might result in a temporary depletion in the ranks of the staff at the Fund. Also, the fact that members on leave without pay remained on the strength of the staff meant that the ceilings would bite even harder during the period of their absence. He suggested that the existing ceiling should remain and be subject to review in one year.

The Director of the Administration Department agreed that the existing ceiling should remain in place; if it appeared to be insufficient, the Committee could ask for the Executive Board's authorization to increase the number from five to eight, depending upon need.

The Acting Chairman remarked that if management felt that the ceiling was insufficient, even before one year had elapsed, it would feel free to come before the Committee to request a more appropriate one.

The Committee on Administrative Policies agreed to recommend that the Executive Board approve the following decision on a lapse-of-time basis:

(a) A new category of leave without pay "in the interest of the Fund" shall be created specifically to cover external assignments that, in management's view, will broaden staff members' experience and develop their potential.

(b) Management shall be authorized to grant leave without pay in the interest of the Fund for such external assignments for periods up to two years.

(c) Staff members on external assignments deemed by management to be for professional and career development shall be eligible for the following additional benefits, on condition that they are not provided by the receiving organizations:

(1) economy class round trip airfare for the staff member and, if the assignment is to last more than six months, for the family members also;

(2) limited shipment of personal effects (1,000 lbs by surface and 200 lbs by air for the staff member, and 500 lbs by surface and 100 lbs by air for the spouse and each dependent);

(3) commercial storage of household effects and an automobile in the duty station;

(4) eligibility for an advance of up to six months' salary, interest-free, repayable over six years from the date of return to duty. The advance is intended to cover the staff member's financial commitments in the duty station and his settling-in costs in the country of the receiving organization.

(d) The Committee on Administrative Policies shall review this decision after one year's experience and report thereon to the Executive Board.

The Committee on Administrative Policies intends in the course of the review referred to in paragraph (d) of the proposed decision to consider such matters as the the limit placed on the number of staff members permitted to take such assignments, the adequacy of the benefits provided in paragraph (c), and whether, in an exceptional case, an assignment may be extended for a third year.

The meeting was adjourned at 4:10 p.m.

APPROVED: February 1, 1982