CONFIDENTIAL

COMMITTEE ON ADMINISTRATIVE POLICIES

Meeting 81/4
10:00 a.m., October 27, 1981

W. B. Dale, Acting Chairman

Executive Directors	Alternate Executive Directors
	A. Yasseri, Temporary
	A. Nagashima
	F. A. Tourreilles, Temporary
R. K. Joyce	
	C. P. Caranicas
	S. El-Khouri
A. R. G. Prowse	B. Legarda
	L. Vidvei

A. Wright, Secretary
B. J. Owen, Assistant

Also Present

O. Üçer, Temporary
G. Winkelmann

Administration Department: M. Russo, Deputy Director; R. M. Broadway, C. V. Bielaski, J. D. Huddleston, J. G. Keyes, H. H. P. King, M. Rosseel. Treasurer's Department: R. W. Groettum, M. Lacaze, R. Noë.

1. STAFF TRAVEL ALLOWANCES

The Committee took up a paper prepared by the staff on staff travel allowances, including a draft decision proposed for adoption by the Executive Board (EB/CAP/81/6, 10/14/81).

The Deputy Director of the Administration Department commented that the proposal had been to make the revised rates of per night allowances and in-and-out allowances, as well as the new lump sum payment, effective as of November 1, 1981. However, it seemed appropriate for two reasons to postpone the effective date for the introduction of the lump sum payment until December 1: first, a new list of stopover entitlements, revised to take account of improvements in airline schedules over the past ten years, would be put into effect on December 1, and it would be administratively convenient to start paying the lump sum at the same time; second, staff would be given some advance notice and thus be able to establish their travel plans accordingly.

Mr. Vidvei drew attention to the fact that Denmark, Finland, and Sweden were on the list of countries for which the highest hotel and subsistence allowances were paid, whereas Norway was listed among the countries where costs were considered to fall in the intermediate range. Yet Oslo happened to be one of the most expensive cities in the world for foreigners to visit. Also, Iceland was not on either list.

The Deputy Director of Administration explained that the staff studies were based on actual expenses incurred by missions that had taken place during the period reviewed.

A staff representative from the Administration Department added that for the past year or two the reviews had covered six-month rather than one-year periods in an attempt to capture recent rates of inflation. Only one modest travel claim involving hotel expenses had been submitted for a visit to Norway during the six months covered by the review. It should be possible in future, by using the new automated data base, to check figures that seemed out of line with data collected for the preceding six months. Moreover, the system would be further improved by the proposal to pay a lump sum allowance, which would reduce the work load and make such checking easier.

In response to a question by Mr. Tourreilles, the staff representative explained that the intention was to resume the practice of reviewing travel expenses and allowances on a yearly basis. The present review had been delayed because of problems with the new automated base in collecting figures on per night payments; it should be possible to make broader reviews in future and to put into effect the results of the next review by July 1, 1982.

Mr. Vidvei noted that the reported travel to Norway in the period covered was not to Oslo but to a small town. He was still concerned therefore about the disparity of treatment between the Nordic capitals.

A staff representative from the Administration Department explained that the rates were country and not city rates. Occasionally, countries in the same region with similar cost of living levels would fall into different tiers because of insufficient data on actual staff travel costs. For example, states in the Persian Gulf region fell into more than one tier. It seemed preferable to base rates on solid experience rather than on estimates. However, it should be noted that staff members always had the option of claiming actual hotel expenses plus the subsistence allowance for expenditures that exceeded the standard per night allowance.

Mr. Prowse inquired what it would cost the Fund to introduce the new allowances. He also asked why the proposed rates had not been revised in a way that would correspond more consistently to the figures on actual average travel expenses by country groupings. Finally, he wondered what principles governed the standard of accommodation and meals that the Fund was in effect underwriting for staff members on official travel.

A staff representative from the Administration Department said that it had proved difficult to estimate precisely the annual cost of the proposals. For those countries where the actual data suggested that expenses had been lower than the new rates, the average increase in cost could be about 4 per cent, allowing for slippage due to the rate of inflation since the survey had been made. On that basis, the estimated annual cost might be somewhere between $100,000 and $150,000. The new rates in the two lowest tiers had been arrived at by rounding the hotel and the subsistence expenses separately to the nearest $5, in part to allow for the increase in costs since the review had been made. The increase in the intermediate and low rates would be 25 per cent and 21 per cent, respectively. Even without rounding, the high rate would be increased by 33 per cent; it had therefore been considered prudent not to increase the rate further to $125.

While there were no guidelines with respect to the quality of accommodation and meals covered by the allowances, apart from a list of luxury hotels at which staff members were not expected to stay, the staff representative explained, cross checks were made with previous experience by Fund or World Bank staff members in the same country when claims were submitted for additional expenses.

The Acting Chairman noted that the World Bank operated on a full reimbursement system, which made such cross checking possible. However, it should be borne in mind that the World Bank actually spent more on average subsistence than the Fund did.

Mr. Prowse reiterated that the application of consistent principles and the containment of costs should be the overriding aims. Furthermore, if the review covered increases in actual expenses in different categories of countries, a comparison of percentage increases was irrelevant.

Mr. Joyce remarked that if the rounding rule for determining the revised rates in the three tiers was applied consistently, the intermediate rate would also have to be changed to $95.

Mr. Prowse suggested that, subject to the views of other members of the Committee, the rates that would result from consistent rounding would be $125, $95, and $85.

Mr. Caranicas said that it was difficult to reach judgments about the realism of the various rates for hotel and subsistence expenses. He would be interested, like Mr. Prowse, in learning more about how the staff selected hotels and whether any investigations had been made of disparities in hotel rates in certain cities. Finally, he asked what relationship there was between the revised rates for staff members and rates for travel by Executive Directors.

The Acting Chairman responded that a separate decision, under a separate procedure, had to be taken with respect to travel allowances for Executive Directors. In practice, whenever per night allowances for the staff were changed, the Committee on Executive Board Administrative Matters took up the matter of travel allowances for Executive Directors and recommended a corresponding change. The recent tradition had been for Executive Directors' travel allowances to be $10 higher in each category than those for the staff.

A staff representative from the Administration Department explained that the figures in the staff paper were based on average hotel expenses. The proposed lump sum allowance should encourage staff members making stopovers in Europe to stay at more moderately priced hotels. Moreover, it should be noted that in Paris the Fund had made arrangements with certain hotels to provide rooms at a lower rate.

The Acting Chairman repeated that there was a list of hotels at which staff members were not supposed to stay, although exceptions had to be made if no other hotel was available. It was also no doubt difficult to keep that list fully up to date. It had to be borne in mind that any per diem system--even when it was as many tiered as the Fund's present system--necessarily did only rough justice both to the institution and to the staff members. A system of full reimbursement was more costly to process. In addition, staff members bore the cost of wear and tear on clothing and luggage and sometimes suffered losses of personal property and cash that were not fully covered by the Fund's travel insurance.

Mr. Joyce commented that he was not unduly concerned about the subsistence allowance as such. Meals away from home were often expensive and staff members did incur expenses, particularly when they were on longer missions, that they would not have had at home. As for the list of hotels, he asked whether staff members were aware, before they traveled, of the hotels at which they were not expected to stay. It seemed to him that a certain standard of comfort was called for when staff worked out of hotel rooms for several days at a time, often not in the best weather conditions. In addition, in many places that were visited by the staff, the difference between a first class hotel and a second class hotel was considerable. In European cities, of course, there was a much greater choice, but he doubted whether it was worthwhile introducing administrative rules to determine at which hotels staff members could stay on stopovers, as opposed to visits of longer duration.

He was in favor of applying the same rounding across the board, Mr. Joyce said, even though the result would be to increase the margin of difference between the high and intermediate rates. If the latter proved inadequate, staff members could exercise the option of claiming actual expenses.

A staff representative from the Administration Department explained that when staff members were booking accommodation, they were informed if the hotel of their choice was on the list of hotels at which they were not supposed to stay; the matter would be reviewed at that point. Most of the hotels on the list were in fact in large cities in Europe, the United States, and Japan, and not in countries where the choice was much more limited.

Mr. Prowse remarked that a difference of $30 between the top rate and the intermediate rate suggested that when the Committee next reviewed travel allowances, it should consider introducing a fourth or even a fifth tier. He also wondered whether there was anything to be said for using published cost indices, based on expenses for hotel accommodation and other services in a list of cities or countries, rather than on the actual experience of Fund staff members.

A staff representative from the Administration Department recalled that in recent years the Fund had progressively moved from using one rate to three. Consideration could certainly be given to having more than three categories. It might be preferable to discuss the matter when the other new concepts included in the proposals under discussion had been introduced.

The possibility of using outside indices--including the State Department index--had been explored in the past, the staff representative continued. However, such indices were often at variance with each other and moreover did not always bear out the Fund's own experience. It had therefore been concluded that, in the last resort, it was probably better to go by the experience of the Fund and the World Bank. There was no reason, however, not to consider the matter again in an effort to determine whether or not the Fund's own data were reasonable compared with that on which other indices were based.

If the suggestion to increase the top rate to $125 and the intermediate rate to $95 was accepted, the staff representative explained, it would be necessary to review the composition of the different groups of cities.

Mr. Tourreilles expressed support for the application of a consistent rule. However, he wondered whether the modified intermediate rate would be in keeping with updated figures, especially since the staff paper had been based on data already a number of months old.

A staff representative from the Administration Department observed that the subsistence allowance would not be changed in the intermediate tier, while it would be increased by $5 in both the top and bottom tiers.

Mr. Vidvei commented that the results of the review seemed unreasonable as far as the Scandinavian countries were concerned. Therefore, he asked whether the staff could investigate the feasibility of basing its reviews on changes in the cost of living.

The Acting Chairman remarked that Mr. Vidvei's suggestion could be considered as part of the subsequent review. Adjustment would of course have to be made for exchange rate changes.

Mr. Caranicas commented that hotel costs seemed to have risen by more than subsistence costs; in-and-out expenses had also risen significantly, but again in varying degrees depending on the city. One factor to be borne in mind in the selection of hotels was the proximity of those hotels to central banks and ministries of finance. He was prepared to rely on the staff's judgment in such matters; otherwise, the search for economy in travel expenses would lead to the inefficient and costly investigation of itemized travel claims.

Mr. Nagashima stated that he could support the staff's proposal for per night allowances, as amended by Mr. Prowse, on the understanding that the introduction of another intermediate rate would be considered in future if necessary. He was also prepared to support the increase in the in-and-out allowance, although he doubted whether it would be large enough to reduce the number of itemized claims, based at least on costs in Tokyo. As for the lump sum payment for stopovers, which was apparently expected to reduce significantly the number of travel claims submitted, he asked whether it would be paid on the basis of a list of authorized stopovers or whether the staff would have to show evidence of having made a stopover.

A staff representative from the Administration Department responded that the proposal was to pay the lump sum irrespective of whether or not staff members took all the stopovers to which they would be entitled. Previously, the payment had been based on the number of actual stopovers, for which evidence had been presented.

Mr. El-Khouri asked what the rationale was for including in the in-and-out allowance an estimate for airport taxes, and how the figure of $5 had been arrived at. Many countries imposed no airport tax, and a staff member might stop over in many such countries en route to the country of destination.

A staff representative from the Administration Department explained that the idea was to simplify the procedures for dealing with in-and-out travel expenses. The amounts were relatively small and the administrative cost of processing the claims, which included exchange rate conversions, was high. Actual claims for airport taxes had averaged $5 over the period under review. The airport tax allowance would not be included in the in-and-out allowance for day trips that took place in the continental United States.

Mr. Prowse asked whether there were any guidelines for the use of buses or other means of transport as distinct from taxis, in view of the marked escalation in taxi fares, and what basis there was for the proposal to increase the in-and-out allowance by $3. Some rounding might be appropriate, if it were not for the proposal to allow an additional $5 to cover airport taxes; airport taxes were not applied generally enough to justify a general allowance, and where they were, they were usually much more than $5. Did the cost of processing claims for airport taxes warrant dispensing with the requirement that staff ask for reimbursement?

As for the lump sum payment, Mr. Prowse said that Mr. Nagashima had made the central point that he had had in mind, namely, that the Fund might be paying for stopovers that were in fact not taken. The purpose of stopovers was to permit staff and Executive Directors to be able to begin work immediately on arrival at their destination, and they should not be encouraged in any way to avoid stopovers for which reimbursement would nevertheless be made. He could in principle accept the idea of a lump sum payment, to be effective December 1, 1981 rather than immediately, but he would be interested in hearing the views of others before reaching a final decision.

A staff representative from the Administration Department responded that the 15 per cent increase in the in-and-out allowance, from $20 to $23, was in line with cost increases over a one-year period. The combination of that increase with the additional amount of $5 to be allowed for the payment of an airport tax blurred the magnitude of the overall increase. There was no guideline on the means of transport from airports to cities and back. In practice, staff on missions often traveled together and shared taxis. In fact, experience showed that 70 per cent of in-and-out allowances were paid at the standard rate; the purpose of the 15 per cent increase was to maintain that rate, which seemed reasonable, considering that the amounts paid out were small relative to total per diem payments, which amounted to about $1,000 or $1,500 a person for each trip.

The number of stopovers authorized for travel to 40 countries had been reduced, based on a review of airline schedules, the staff representative added. It was therefore much more unlikely that staff would not take stopovers to which they were entitled in future. Even under past procedures, most staff members had taken stopover entitlements.

The average figure for airport taxes paid in the roughly 150 countries visited by the staff was about $3, the staff representative explained, compared with a figure of $5 for countries where such taxes were actually levied. The allowance for the airport tax could be considered as amounting to between $3 and $5. Again, the total increase of $8 was intended to allow for an increase in costs and for the addition of airport taxes without being too precise about the allocation to the two factors.

In response to a question by the Acting Chairman, the staff representative from the Administration Department said that it took about the same time to process a stopover for one night as it did to process a claim for ten nights. It could therefore be said that it was ten times more expensive in terms of administrative time to process a stopover. The proposed lump sum had therefore appeared to be an effective way of simplifying procedures.

The staff representative from the Treasurer's Department confirmed that estimate. Moreover, some missions involved more than one stopover. The requirement that detailed travel claims be submitted also encouraged staff members to make claims for airport taxes, cab fares, and other expenses for which receipts had to be obtained and exchange rate calculations made. The process did tend to be time consuming.

Mr. Joyce suggested that verification that a stopover had actually been made could perhaps take the form of a simple check of the staff member's ticket to see whether or not it allowed for a break in travel. There should be no need to ask for receipts of any kind.

The staff representative from the Treasurer's Department noted that such a procedure would present no problems.

Mr. Vidvei and Mr. Nagashima supported the position taken by Mr. Joyce.

The Acting Chairman said that a revised decision would be circulated to Committee members for clearance and then submitted to the Executive Board for approval on a lapse-of-time basis. The decision would propose that three classifications of per night allowance be retained for the time being: a high rate of $125 ($75 for hotel and $50 for subsistence expenses); an intermediate rate of $95 ($55 for hotel and $40 for subsistence expenses); and a standard rate of $85 ($45 for hotel and $40 for subsistence expenses). Marginal changes in the lists of countries included in Attachment II and Attachment III to the proposed decision would have to be made as a result of the changes in the rates. The decision would also indicate that the proposed lump sum payment of $125 for stopovers would be subject to a simple form of verification that the stopovers had in fact been taken, and it would be introduced effective December 1, 1981. Finally, the decision would propose that there should be an increase in the overall in-and-out allowance, including conerage of airport taxes, to $28.

The possible utility of a larger number of tiers in the system of per diem rates would be considered at the time of the subsequent review, the Acting Chairman added, as would the suggestions put forward for using other outside indices to assist in assessing the Fund rates.

Mr. Joyce mentioned another matter concerning official travel, which might be of some relevance to the present discussion. One of the advantages of first class travel was that it afforded significant benefits in connection with stopovers during the day at crowded airports, except in the United States where membership in an airline club was required for admittance to first class lounges. Given the purchasing power of the Fund in terms of first class tickets, it might be worth investigating with U.S. carriers the possibility of extending such privileges to people traveling on official business for the Fund.

A staff representative from the Administration Department explained that while foreign carriers in New York still offered first class lounge facilities, domestic carriers had for some years been required by the U.S. Civil Aeronautics Board to limit the use of such facilities to card-carrying members of airline clubs. However, he would be willing to look further into the possibility that the airlines might be willing to extend such privileges to the Fund, based on its purchasing power.

Mr. Joyce remarked that the problem did not arise in New York; the airport at Miami was a very busy one and travelers often had to wait there several hours between flights.

Mr. Prowse added that travelers leaving the United States from airports on the West Coast, such as Los Angeles, experienced the same problems.

The Acting Chairman mentioned for information that the previous External Audit Committee had recommended that the Fund use its purchasing power with the airlines to negotiate discounts on first class fares, based on the personal business experience of one member of that Committee, who had indicated that such negotiations could be successful.

2. COORDINATION OF HOME LEAVE BENEFITS

The Committee took up a paper on the coordination of home leave benefits (EB/CAP/81/7, 10/14/81).

Mr. El-Khouri asked whether staff members would be able to take enough annual leave to make circular home leave trips, which would be more time consuming. It had also been drawn to his attention by some staff members that the concept of the circular trip would deprive them of a benefit to which they had been entitled at the time of their employment by the Fund or the World Bank. The question was whether the new rule should apply only to new staff members, as of a date to be determined.

The Deputy Director of the Administration Department remarked that even under the present system husbands and wives of different nationality frequently had to make shorter trips to their respective home countries and families. Generally speaking, however, the staff was encouraged to take home leave for as long as was necessary.

A staff representative from the Administration Department, in response to Mr. El-Khouri's question about the loss of a benefit, noted that although it was envisaged that two separate trips could still be taken on two separate occasions, it was true that the cost entitlement would be the one applicable to the circular trip.

The Deputy Director of the Administration Department added that a memorandum had been received from the Staff Association Committee, asking for a "grandfather clause" to benefit existing Bank/Fund couples. It had been explained to the Staff Association Committee, first, that the paper under discussion concerned the liberalization of the home leave benefits to include Fund/Fund couples, who did not at present qualify either for a circular trip or indeed for any trip to the second home country; the proposal would place Fund/Fund couples on the same footing as Fund/Bank couples. The decision taken by the Executive

Board in 1976--but not put into effect--was to extend to other international organizations, including the World Bank, the policy of nonduplication of benefits for Fund/Fund couples. That decision had been explained in Staff Bulletin No. 77/15 (9/30/77), which had also dealt with the question of home leave for Fund/Bank couples; it had been held in abeyance pending the outcome of the World Bank's discussions with their Staff Asssociation. The World Bank was now prepared to implement the decision, and the Fund proposed simply to extend the policy to Fund/Fund couples. The Staff Association Committee of the Fund had not supported the 1976 decision but had not at that time requested its amendment.

Mr. Prowse asked how many Bank/Fund couples would be affected, and how many Fund/Fund couples there were. He assumed that the costs of the new arrangements, as mentioned in the last paragraph of the staff paper, represented a net saving for the Fund.

The question raised by Mr. El-Khouri about the loss of a benefit had been satisfactorily answered by the staff, Mr. Prowse considered. The existing arrangements were generous and he supported the proposal to adopt the concept of a circular trip.

The Deputy Director of the Administration Department confirmed that there would be a small saving for the Fund.

A staff representative from the Administration Department noted that there were 23 Fund/Fund couples, only 9 of which would be affected by the proposal. Of the remainder, 4 couples came from the same country and 10 were U.S. couples. There were 73 Bank/Fund couples, 20 of which would be affected by the circular trip.

The Acting Chairman took it that the Committee accepted the proposals in EB/CAP/81/7, which would be submitted to the Executive Board for approval on a lapse-of-time basis.

3. EXECUTIVE DIRECTORS - WEIGHT ALLOWANCES

Mr. Prowse inquired about the status of the proposal with respect to the modification of the sharing formula for removal shipments in excess of Executive Directors' entitlement.

The Acting Chairman replied that the Committee on Executive Board Administrative Matters had submitted its recommendation to the Executive Board for its approval on a lapse-of-time basis. The recommendation had been approved at the close of business on October 26, 1981. The management considered that there was no case for changing the weight allowances for staff, based on the statistics that had been compiled, as had been explained in the Chairman's memorandum to members of the Committee on Administrative Policies (EB/CAP/81/2, Sup. 1, 10/14/81).

The Committee adjourned at 11:35 a.m.

APPROVED: March 5, 1982