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Corrected: 12/9/76

CONFIDENTIAL

COMMITTEE ON EXECUTIVE BOARD ADMINISTRATIVE MATTERS

Meeting 76/8
August 26, 1976

A. Kafka, Chairman

Executive Directors

S. Jagannathan
B. Kharmawan
R. J. Whitelaw

Alternate Executive Directors

P. Zimmer, Temporary
P. Kent

K. F. Magurn, Secretary

Also Present

L. Dini
H. R. Monday
A. W. Yameogo
S. Nana-Sinkam

Administration Department: P. N. Kaul, Deputy Director;
G. A. Loe-Sack-Sioe, R. J. Powell, H. Wiesner. Legal Department:
J. G. Evans, Deputy General Counsel. Secretary's Department:
D. H. Ross, E. C. Shinn. Treasurer's Department: C. B. Fink.
Technical Assistants to Executive Directors: V. Amiel, J.-M. Bisson,
J. M. Cock Londoño.

1. SECRETARIAL ASSISTANT TO EXECUTIVE DIRECTOR - REQUEST FOR SALARY
ADVANCE FOR BUYING A FIRST HOME IN THE WASHINGTON AREA

The Committee considered a memorandum from the Chairman of the Committee on Executive Board Administrative Matters dealing with a request for a salary advance for a secretarial assistant to an Executive Director (EB/CAM/76/19, 8/25/76).

The Chairman said that the matter had been brought to the attention of the Committee because the secretarial assistant in question did not have the six years of service that would entitle her to a staff position even if she were dismissed by the Executive Director for whom she was presently working. In addition, she had not been recruited from the staff; if she had been, she would also have been entitled to return to the staff. The question that arose was whether a person who depended on the goodwill of an Executive Director for employment and who could be dismissed at any time should be entitled to the kind of loan requested.

Mr. Yaméogo, after commenting that it was his secretarial assistant who had requested a salary advance, agreed with the Chairman that she did not meet the six years requirement and that she could be dismissed at any time. However, he had never hired a secretary who did not meet the Fund's requirements for shorthand and secretarial skills. Moreover, his secretarial assistant had 12 years of experience, spoke English and Spanish in addition to French, was qualified for telex typing and had served as secretary to two ambassadors. Even if dismissed by his office, she should have little difficulty in gaining a position on the staff. In addition, the salary advance was equivalent to less than one year of salary, the secretarial assistant in question had additional income and she was head of her family. For those reasons, the Committee should approve the request.

The Deputy Director of the Administration Department noted that in the event the employment of an assistant to an Executive Director was terminated before completing six years of service, the rules required the Managing Director--if, in his opinion, the individual was qualified--to explore the possibility of employing such an assistant on the staff. The rules did not confer any right of employment on the individual. The mere fact that a person had shorthand and typing qualifications would not by itself entitle the person to have a job on the staff; there were other considerations that had to be taken into account.

Mr. Yaméogo remarked that he did not consider that the Committee's approval of the request of his secretarial assistant would constitute special treatment. In view of her qualifications and experience she could most likely gain employment in one of the embassies if the Fund did not wish to recruit her, and would still be able to finance the \$90 per month required repayment.

The Deputy Director of the Administration Department observed that if a person was dismissed by the Fund or separated from the Fund any salary advance became payable immediately.

Mr. Yaméogo commented that most Executive Directors tried to find a job for their secretaries on the Fund staff or that of the World Bank or in an embassy when the position with an Executive Director was terminated. If his secretarial assistant could not obtain a position on the Fund staff he could help her repay the salary advance.

Mr. Zimmer said that he believed that the Committee was discussing a single special case. Rules existed, but there was some difficulty in determining the one that should be applied. The Committee on Executive Board Administrative Matters had reached a consensus that assistants to Executive Directors should be eligible for all staff benefits. However, staff members who were appointed for a fixed term were not eligible for salary advances. The decision that the Committee might take could create a precedent for similar cases in the future. With respect to the particular case under discussion, Mr. Yaméogo had given some assurance that there would be little danger that the money could not be repaid.

Mr. Kharmawan remarked that, while he would have liked to have supported the request under discussion, the matter had to be examined from a general point of view. He doubted whether the present request would prove to be sui generis if it were approved. Although secretarial assistants should have the same rights and privileges as staff members, the Committee could not disregard the fact that the employment of assistants to Executive Directors could be terminated at any time. He was not in a position to support the requested salary advance, as there might be serious consequences in future. The Committee members should adhere to the existing rules set forth in Section 4(f) of Part III-B of the Handbook on Executive Board Administrative Matters.

Mr. Kent agreed with Mr. Kharmawan that it was difficult to examine the case under discussion as though it were sui generis. While it had been agreed in principle that assistants to Executive Directors had the same rights as members of the staff, there were two categories of staff, namely, fixed term appointees and regular staff. It was his understanding that a secretary joining the regular staff would normally do so at Range B, whereas some secretarial assistants began at Range D. The difference in salary was substantial, because the secretarial assistant was usually expected to be an expatriate coming from abroad who would normally rent accommodation and, thus, generally have higher living costs than someone who had been living locally.

He wondered how fixed-term appointees would be treated if they requested salary advances, Mr. Kent continued. If an elected Executive Director was replaced at the next election and his successor wished to appoint a new secretary, the departing one might find it difficult to repay the salary advance. Like Mr. Kharmawan, he had not closed his mind entirely on the matter, but he was not induced to support the request under discussion, as there was a risk that the secretarial assistant might not be able to repay the salary advance. He would wait to hear what other Directors had to say before finally making up his mind.

Mr. Whitelaw wondered whether secretarial assistants had previously been given salary advances for the purpose of buying a home and whether there was a limit to the advance in relation to the person's salary. What was the nature of the loan and did the Fund have any lien on the property?

The Deputy Director of the Administration Department said that the request under discussion was the first one received from an assistant to an Executive Director. However, several years previously a secretary on the regular staff of the World Bank had transferred to the Fund. She had had a salary advance from the World Bank, and when she transferred the Bank had insisted on her repaying the loan. The Fund had given her an emergency advance to repay the Bank. Assistants to Executive Directors, as mentioned in EB/CAM/76/19, included technical assistants who served for two or three years. None of them had ever requested a salary advance for buying a home, but they were technically eligible under the existing rules. Most of the secretarial assistants in the World Bank came from the regular staff, and so they had employment rights to return to the staff. A secretarial

assistant in the World Bank appointed by an Executive Director from outside was offered a term appointment coterminous with the Executive Director's term and was not eligible for a salary advance for buying a home.

The maximum a person could borrow from the Fund was one year's salary, the Deputy Director noted. The borrower had to be able to make a downpayment of 5 per cent. The Fund would then examine the other liabilities of the staff member and would determine whether the purchase was prudent and whether the repayment installments were within the staff member's paying capacity before deciding on the exact amount of the salary advance.

The Fund did not have any collateral in the sense of lien, but it did have the staff member's group life insurance as security, the Deputy Director continued. The Fund secured a note from the staff member and the beneficiary of the insurance policy that, in the event of the death of the staff member, the proceeds of the insurance would be applied toward the loan. The Fund also secured an agreement from the staff member that if he separated from the Fund the loan would become immediately payable and, if necessary, he would sell the house to repay the Fund. The Fund did not have any second mortgage; so far there had never been a default.

Mr. Whitelaw inquired whether the Fund had a legal basis for requiring that the house be sold and the loan repaid. Were there any limits set on the amount that the Fund could advance in respect of the house relating to its market value?

The Deputy General Counsel remarked that the Fund would have a case against the individual. It could take any assets that were available, including the house, on the execution of a judgment against the individual.

The Deputy Director of the Administration Department replied that the salary advance could not exceed one third of the cost of the house.

Mr. Whitelaw commented that if the Committee decided to establish a precedent by approving the requested salary advance, it would still be operating within the rules; in fact, by denying the request the Committee would be changing existing arrangements. He wondered what the consequences of approving the request would be for fixed term appointees.

The Deputy Director of the Administration Department said that it might be possible to grant a fixed term appointee a salary advance with the repayment period concurrent with the term of employment. It was most likely, however, that the required repayments would be beyond the paying capacity of the individual.

Mr. Whitelaw considered that if the Fund was satisfied that it could make arrangements to protect itself and to recover the advance through appropriate procedures, he would be prepared to approve it.

The Deputy General Counsel remarked that, in the event of a default, the Fund would take legal action and, if necessary, go to court. It might not be able to recover the full loan, as there were substantial risks involved in the forced sale of a house with a second mortgage.

Mr. Whitelaw indicated that in cases like the one presently under discussion it might be wise to have an additional stipulation regarding the amount of the deposit or the rate at which the loan should be repaid. In principle he was prepared to permit salary advances to secretarial assistants.

Mr. Zimmer asked whether there was any difference in the cost to the Fund in recovering a loan from secretarial assistants and from regular staff members who wished to separate from the Fund.

The Deputy Director of the Administration Department replied that there should be no difference. Salary advances were given to staff members who had given reasonable indications that they would remain with the Fund over the period of the loan and whose employment was unlikely to be terminated by the Fund.

The Deputy General Counsel observed that General Administrative Order No. 22, Revision 3 (4/1/70) said that regular staff "shall be eligible for a salary advance to purchase a home after some months of service and an indication that he is likely to remain a staff member in the Fund for a substantial period." Staff in Ranges A-E "may also be eligible for salary advances...in appropriate cases, normally after some years of service."

The Deputy Director of the Administration Department added that the phrase "some years of service" had been interpreted to mean a minimum of two years of service. Previously, staff in Ranges A-E had not been eligible for salary advances to purchase a home until after five years of service.

Mr. Jagannathan asked whether the secretarial assistant in question had, or would obtain, a loan from another source and whether she had requested an advance from the Fund as a supplement only. In addition, did she have two years or more of service?

The Deputy Director of the Administration Department replied that the secretarial assistant in question had commenced her employment on November 18, 1974. Her present salary was \$12,400 and she had requested a salary advance of \$8,000. On the basis of her other income, the house was within her paying capacity. She had received a mortgage of \$45,000 over 30 years.

Mr. Jagannathan remarked that, while he generally agreed with Mr. Kharmawan that the present request might not prove to be sui generis, he would be prepared to go along with it if the majority was in favor of approving the request. The present rules were logical and should normally be applied. It was only because the secretarial assistant in question had almost two years of service and had asked for an advance equivalent to two thirds only of her annual salary that he was prepared to support her request.

Mr. Yaméogo said that he believed that an important matter was whether the secretarial assistant in question could provide an acceptable guarantee to the Fund that she could repay the salary advance. He himself had bought a house with a first mortgage from a bank and a second one from the Credit Union. The understanding had been that if he separated from the Fund and his savings had been insufficient to repay the second mortgage, the Credit Union would be repaid by him selling the house. The same conditions could apply to his secretarial assistant. The total cost of the house was \$61,500, her mortgage was \$45,000, her savings amounted to \$8,000 and the salary advance of \$8,000 was equivalent to about eight months of salary. He wondered what additional guarantee she could provide that might be acceptable to the Fund.

The Chairman observed that he generally agreed with Mr. Whitelaw, as there was a spectrum of cases that did not differ much from each other. Like Mr. Kent, he believed that it would be bad policy for the Committee simply to approve the request as an isolated case. The Committee should formulate policies, one for persons who were regular staff members and another for persons either who were on a fixed term appointment or who could be dismissed without notice by whoever employed them. The latter group should be required to give additional guarantees. The staff should try to formulate what would be acceptable guarantees for fixed term appointees and for those who could be dismissed without notice. The resulting policy could then be applied to the case presently under discussion. In that way the Committee would not be making an exception, but rather initiating a new policy. He wondered whether a delay would create hardship for the secretarial assistant in question.

Mr. Yaméogo commented that the intention of his secretarial assistant was to settle in October after the Annual Meeting. Since she had had sufficient creditworthiness to obtain a mortgage of \$45,000 and had been able to save \$8,000, it was most likely that she could provide an acceptable guarantee for the \$8,000 she wished to obtain as a salary advance. He wondered whether the Fund would be prepared to accept a second mortgage as a guarantee.

The Chairman said that he assumed that when Mr. Yaméogo had negotiated his second mortgage he had accumulated a fairly large amount in his pension fund. The secretarial assistant in question might not have much in her pension fund, since she had been with the Fund for only a short time.

Mr. Monday indicated that, like Mr. Kharmawan, he was reluctant to meet the type of request under discussion. However, if the Fund could be reasonably sure that the loan would be a good risk and that, in the event of the secretarial assistant's appointment being terminated, the Fund would be able to recover the amount of salary that had been loaned, he would have no difficulty in approving the requested salary advance.

Mr. Dini, after commenting that he had sympathy for the case presented by Mr. Yaméogo, remarked that he supported the Chairman's proposal. The present rules were unduly restrictive, since not only secretarial assistants but also Alternate Executive Directors and new Executive Directors were not entitled to a salary advance for the purchase of a house. He hoped that any new policy would cover secretarial assistants and Alternate Executive

Directors. Each time a salary advance was granted there was a risk that the recipient might not be able to repay it. However, the risk was not so large, particularly if the Legal Department could suggest additional guarantees that would be required.

The Chairman concluded that the Committee should wait until the staff had formulated a policy that could apply to secretarial assistants before taking a decision on the request under discussion. The Committee might wish to pursue the matter of salary advances to Alternate Executive Directors and new Executive Directors at a later date.

The Committee adjourned its meeting at 11:15 a.m.

Approved: November 24, 1976