CONFIDENTIAL

COMMITTEE ON EXECUTIVE BOARD ADMINISTRATIVE MATTERS

Meeting 81/3

3:00 p.m., August 4, 1981

S. Nana-Sinkam, Chairman

| Executive Directors | Alternate Executive Directors |
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| | S. E. Conrado, Temporary |
| | H. G. Schneider |
| | D. E. Syvrud |
| | S. R. Abiad, Temporary |
| A. Kafka | J. R. Gabriel-Peña |
| | T. Aulagnon |
| Zhang Z. | |

E. C. Shinn, Secretary
J. B. Edgerly, Assistant

Also Present

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| | C. Taylor |
| | A. Nagashima |
| | V. Supinit |
| S. Kiingi | |
| G. Laske | |
| | D. L. Kannangara |
| J. J. Polak | |
| | L. Vidvei |

Administration Department: C. Ahl, A. D. Goltz, H. H. P. King, M. Rosseel. Legal Department: R. S. Porras. Secretary's Department: B. R. Hughes, J. E. Humphries. Assistants to Executive Directors: J. L. Feito, Jiang H.

1. REMUNERATION OF ADVISORS TO EXECUTIVE DIRECTORS

The Committee members considered a paper on the remuneration of Advisors to Executive Directors (EB/CAM/81/25, 7/22/81) circulated at the request of the Chairman.

The Chairman explained that, since 1976, the Fund's Committee on Executive Board Administrative Matters and the World Bank's Committee on Directors' Administrative Matters (CODAM) had considered three alternatives in reviewing the salaries of Advisors, i.e., (1) the same percentage increase as for Alternate Executive Directors; (2) the same absolute increase as for Alternate Executive Directors; and (3) an increase midway between the same percentage adjustment and the same

absolute increase. Alternative (3) had been approved in 1977 and 1978, alternative (2) in 1979, and alternative (1) in 1980. Remuneration for Advisors under the three alternatives would be as follows:

| | Advisor | | | Alternate | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary A | Sup. Allow. B | Total C | Salary D | Sup. Allow. E | Total F | C as per cent of F | Increase in Advisor Remuneration |
| (1) | $45,300 + | $4,340 = | $49,640 | $53,700 + | $5,600 = | $59,300 | 83.71 | 13.0 |
| (2) | $46,290 + | $4,440 = | $50,730 | $53,700 + | $5,600 = | $59,300 | 85.55 | 15.5 |
| (3) | $45,800 + | $4,390 = | $50,190 | $53,700 + | $5,600 = | $59,300 | 84.64 | 14.2 |

Similar alternatives were being submitted to the Bank's Committee on Directors' Administrative Matters for consideration. The effective date of an increase would be the same date as that for Executive Directors and Alternates, namely, July 1, 1981.

Mr. Kafka remarked that there was no need to employ complicated fractions in salary scales. He suggested that Advisors to Executive Directors receive a simple 85 per cent of the remuneration that the Committee had agreed upon for Alternate Executive Directors, rather than the more complicated 83.71 per cent suggested in the staff paper (EB/CAM/81/25).

Mr. Syvrud said there was a need for a generous increase in the remuneration for Advisors to Executive Directors. He agreed with alternative (1); that option would provide the Advisors with 83.7 per cent of the remuneration received by Alternate Executive Directors, the highest proportion ever agreed to.

Mr. Schneider stated his preference for alternative (1); there was no need for the Advisors to receive an increase above that which had been agreed upon for Executive Directors and Alternates.

Mr. Aulagnon said that, like Mr. Kafka, he could support an increase that would give the Advisors 85 per cent--rather than the 85.55 per cent of alternative (2)--of the remuneration received by Alternate Executive Directors because he saw no need to complicate matters with decimals.

Mr. Abiad commented that he agreed with the 85 per cent figure referred to by Mr. Aulagnon. There was a need to keep up a parity with the recent adjustment in remuneration for Assistants to Executive Directors and to take account of their entitlement, encashment for annual leave, and annual adjustments in salary.

Mr. Conrado stated his willingness to support any consensus that might emerge.

Mr. Zhang expressed his preference for the proposal that Advisors to Executive Directors should receive 85 per cent of the remuneration agreed upon for Alternate Executive Directors; he also shared Mr. Kafka's preference for round figures.

The Chairman, speaking as a member of the Committee, stated that he favored alternative (1) because he felt it desirable to maintain the distinctions between the remunerations of Advisors to Executive Directors and Alternate Executive Directors, and between Assistants to Executive Directors and the Advisors.

Mr. Polak remarked that Advisors should receive a respectable salary. The Committee should settle for a round figure, and he suggested a remuneration of $50,000: $45,500 salary and $4,500 supplementary allowance. That figure would provide Advisors with 84.3 per cent of the remuneration received by Alternate Executive Directors and would therefore be a compromise between alternative (1) and alternative (2).

Mr. Vidvei said that it was more important to maintain the principle that Advisors receive the same percentage increase as Alternate Executive Directors than it was to arrive at round figures for remunerations. He therefore would support the 13 per cent increase for Advisors contained in alternative (1).

Mr. Taylor remarked that, while he appreciated the desirability of absolute percentages or round figures, there had been a gradual change in the relationship between the remuneration for Alternate Executive Directors and that for Advisors to Executive Directors. However, since there had been no support for the theory that there should be an increase in the salaries of Advisors relative to those of Alternate Executive Directors, the trend should be arrested. Based on that consideration, the 13 per cent increase included in alternative (1) would be preferable.

Mr. Laske, Mr. Nagashima, Mr. Kiingi, and Mr. Supinit stated their preference for alternative (1).

Mr. Kannangara remarked that he preferred a remuneration for Advisors based on alternative (3).

Mr. Kafka stated his support for Mr. Polak's suggestion of an even $50,000 figure.

Mr. Aulagnon commented that he agreed with Mr. Kafka and would support Mr. Polak's proposal for the $50,000 figure.

Mr. Abiad said that he would prefer alternative (2), but that he was willing to support Mr. Polak's proposal to help to reach a consensus.

Mr. Schneider asked why three possibilities had been introduced into the discussion on remuneration for Advisors when there had been only one when consideration had been given to remuneration for Executive Directors and their Alternates.

The staff representative from the Administration Department explained that alternatives had been introduced when, on an earlier occasion, some Directors had suggested that Advisors' remuneration be increased by the same absolute amount as the increase received by Alternate Executive Directors, rather than by the same percentage.

Mr. Schneider said that a hierarchy had intentionally been established between Executive Director and Alternate Executive Director. When the position of Advisor had been created in 1971, it was assumed that the hierarchy would be Executive Director, Alternate Executive Director, and Advisor. It was important to maintain that principle.

Mr. Laske considered that both $50,000 and 13 per cent were acceptable round figures. However, he preferred the 13 per cent figure proposed in alternative (1) because it would maintain the established relationship between Alternate Executive Director and Advisor.

Mr. Kiingi asked whether any of the proposals would result in a higher absolute increase for Advisors than that received by Alternate Executive Directors.

The Chairman responded that alternatives (2) and (3) would give Advisors a higher absolute increase than Alternate Executive Directors.

Mr. Syvrud observed that alternative (1) had received broad support. Alternative (1) would, in fact, result in a marginal increase in the remuneration for Advisors relative to Alternates, from 83.67 per cent to 83.71 per cent. Unless, as Mr. Taylor had explained, a clear justification could be made for a change in the relationship between remunerations for Alternates and Advisors, the 13 per cent increase shown in alternative (1) was preferable.

The Chairman agreed with Mr. Syvrud that there seemed to be broad support for alternative (1), but be hoped that a decision could be delayed until the matter had been taken up by the World Bank's Committee on Directors' Administative Matters, which would meet on Thursday, August 6, 1981.

Mr. Polak commented that, since the difference amounted to only $360, it did not seem appropriate to meet twice on the matter. As a member of the Executive Board, if his own proposal did not receive adequate support, he was very willing to agree with alternative (1).

The Committee agreed to recommend that, effective July 1, 1981, the remuneration of Advisors be increased from $40,090 to $45,300 per annum in salary, and from $3,840 to $4,340 in nonpensionable supplemental allowance, which would bring the total remuneration to $49,640 per annum, an increase of 13 per cent.

The Chairman said that the matter would be taken up by the World Bank's Committee on August 6, 1981. If there was no disagreement between the two Committees, he would submit a recommendation to the Executive Board for a lapse-of-time decision. 1/

2. REPRESENTATION EXPENSES AT THE TIME OF 1981 ANNUAL MEETING

The Committee members took up a paper on representation expenses at the time of the 1981 Annual Meeting (EB/CAM/81/26, 7/22/81).

The Chairman noted that the staff paper had given consideration to increases in the cost of food served away from home in the Washington area and had suggested adjusting representation expenses so that Executive Directors would not have to spend personal money while entertaining Governors on the occasion of the Annual Meeting. He recognized, however, that inevitably Executive Directors had to spend personal money when entertaining their Governors during the Annual Meetings in Washington.

Mr. Syvrud observed that, since the consumer price index (CPI) for food served away from home had increased by less than 4 per cent, the increment in representational expenses would be marginal. He suggested, therefore, that it might be both prudent and exemplary to retain the same figures that had been agreed upon for the previous Annual Meeting.

Mr. Schneider remarked that, based upon the evidence provided in EB/CAM/81/26, a 10 per cent increase appeared to be justifiable. He asked why the reported increase in the consumer price index from May 1980 to May 1981 was only 3.9 per cent?

The staff representative from the Administration Department noted that the consumer price index had actually increased by 9.7 per cent, but that the index was broken down into a number of more detailed indices. As in the past, the staff had relied upon the "food away from home" index for the current year, and that had shown an increase of 3.9 per cent.

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1/ See EBAP/81/266. The decision was approved by the Executive Board on August 14, 1981 and recorded in the minutes of EBM/81/115 (8/24/81).

Mr. Schneider remarked that the 3.9 per cent increase in the Washington, D.C. consumer price index for food away from home was difficult to reconcile with the approximately 10 per cent increase that had occurred in the restaurant prices at the Sheraton Washington and Shoreham hotels, as noted on page 1 of the staff paper.

The staff representative from the Administration Department remarked that the food away from home index was, of course, a broader index that included more than the several major hotels in Washington, and that the large variation between the CPI and the more detailed indices was quite normal.

The Chairman asked whether the staff could assess what percentage of entertainment expenditures by Executive Directors during the Washington Annual Meetings was actually spent at the Sheraton Washington and Shoreham hotels.

The staff representative from the Secretary's Department replied that approximately 70-75 per cent of Executive Directors' entertainment expenditure was incurred at the Sheraton Washington and the Shoreham hotels.

The Chairman remarked that Mr. Schneider's concern was justified; the 3.9 per cent increase in the consumer price index for food served away from home was apparently far below the increase that Executive Directors might expect in their entertainment expenditure.

Mr. Abiad said that the calculations for representation expenses included an implicit discrimination in favor of single country constituencies and against multiple country constituencies. At the previous Annual Meeting a single country constituency had received $760, yet only about one quarter of that amount would be received per country for a constituency of 14 countries for the forthcoming Annual Meeting. It was paradoxical, therefore, that multiple country constituencies would actually have to have shorter guest lists. Furthermore, the meetings would be attended by high-level officials who expected high-quality meals; according to the figures in the staff report, a small filet mignon dinner would cost $21.50, excluding liquor. He suggested that an allowance of $180 per country was a more realistic one; in the case of his own constituency, his proposal would involve an increase of only $280 over the current figures.

Mr. Polak felt that it was not proper to switch from one index to another. They should stick to the food away from home index even if this year it was perhaps not very realistic. He saw no real need for an increment in representation allowance. He therefore supported Mr. Syvrud's proposal for no increase.

Mr. Taylor said he regarded the food away from home index as being more relevant than the general CPI; however, he hoped that the discrepancy that existed between the two indices would encourage the Executive Directors to shift their entertainment expenditures in accordance with the signals that were coming from the market.

Mr. Laske said that he was not only surprised by the magnitude of price increases in the hotels, but also by the rising cost of entertaining at the Fund. He preferred to adjust the allowance in line with the consumer price index.

Mr. Nagashima commented that he could support the proposal included in the staff paper, as it appeared to be a continuation of past practices.

Mr. Aulagnon expressed his preference for using the figures on the increased cost of receptions at the Sheraton Washington and the Shoreham hotels, which was about 9 per cent. However, he was willing to go along with the staff proposal, which was based upon the consumer price index for food served away from home.

Mr. Schneider said that he agreed with Mr. Aulagnon's preference for a 9 per cent increase in the representation allowance. He was, however, willing to go along with the staff proposal; but if the increase was based on the consumer price index, there would have to be a dramatic readjustment sometime in the near future.

Mr. Syvrud, Mr. Kafka, and Mr. Conrado stated that they would also be willing to go along with the staff proposal.

The Chairman observed that the Committee was apparently willing to agree with the staff proposal, but he noted, in agreement with Mr. Schneider, that it was likely that a major increase in representation allowances would be necessary in the future. He asked the staff whether it would investigate the apparent discrepancy that existed between compensation for multiple and single member constituencies, as mentioned by Mr. Abiad. The decision made at the Committee meeting would be coordinated with the Bank's Committee on Directors' Administrative Matters and then would go before the Executive Board on a lapse-of-time basis.

The Committee agreed to recommend that the following expenses be considered reasonable and thus reimbursable by the Fund: expenses actually incurred by an Executive Director, his Alternate, or Advisor, at the 1981 Annual Meeting of the Board of Governors for the entertainment of senior officials of the governments or central banks or persons prominent in the academic communities of the members that appointed, elected, or designated the Executive Director, up to a maximum for each Executive Director, his Alternate, and Advisor, together, whichever shall be the greater of: either $160 for each of those members, or $740, plus $52 for each of those members. If an Executive Director who served both in the Fund and in the Bank received from the Bank any amount of reimbursement for the expenses of such entertainment, the above-mentioned maximum would be reduced by the same amount with respect to the reimbursement the Executive Director could claim from the Fund. 1/

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1/ See EBAP/81/265. The decision was approved by the Executive Board on August 14, 1981 and recorded in the minutes of EBM/81/115 (8/24/81).

3. TRANSPORTATION OF HOUSEHOLD EFFECTS - MR. DINI

Mr. Kafka asked whether any progress had been made in the discussion on the weight allowance for Mr. Dini's transportation expenses.

The staff representative from the Administration Department remarked that the matter had been taken up at a meeting of the Committee on Administrative Policies. No changes in policy for the staff had been made at that time. However, as requested by the present Committee the staff was preparing a paper on weight allowances for Executive Directors.

Mr. Kafka asked whether there was not a time constraint on that question with regard to Mr. Dini.

The staff representative from the Administration Department responded that the Committee had decided that the matter should be resolved by November 1981.

The Committee adjourned at 4:05 p.m.

APPROVED: January 27, 1982