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EBAP/94/39
Supplement 1

May 13, 1994

To: Members of the Executive Board
From: The Secretary
Subject: Eligibility for Expatriate Benefits

Attached for consideration by the Executive Board is a paper providing the supplementary information that was requested at the Committee on Administrative Policies meeting of May 3, 1994.

Mrs. D. Anderson (ext. 37257) is available to answer questions relating to this paper prior to the Board meeting scheduled for Monday, May 16, 1994.

Att: (1)

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INTERNATIONAL MONETARY FUND

Eligibility for Expatriate Benefits:
Supplementary Information

Prepared by the Administration Department

(In consultation with the Legal Department)

May 12, 1994

1. Introduction

At its meeting on May 3, 1994, the Committee on Administrative Policies discussed the question of eligibility for expatriate benefits. 1/ In the course of that meeting, requests were made for additional statistical information and for a discussion of certain other issues raised by members of the Committee.

2. Distribution of Staff by Nationality/Visa Status

Tables 1 and 2 show the nationality and visa status for staff in grades A9-B5 and A1-A8, respectively. Table 3 summarizes the distribution of staff in the two grade groupings.

In the higher grades (A9-B5), there are some 1427 staff, of which about one quarter (26 percent) are U.S. citizens; some two thirds (64 percent) are holders of G-4 visas; and some 10 percent are holders of resident alien (RA) visas. Of the 144 RA visa holders, 46 joined the Fund after the 1985 decision on eligibility for expatriate benefits and thus are not eligible for these benefits; they represent just over 3 percent of staff in these grades.

In Grades A1-A9, the proportion of holders of RA visas is appreciably larger than among the A9-B5 staff. There are some 734 support staff, of which 201 (27 percent), are U.S. citizens; 339 (46 percent) are G-4 visa holders; and 194 (26 percent) are holders of RA visas. Of the RA visa holders, 71 joined the Fund after the 1985 decision on eligibility and are not eligible for expatriate benefits.

1/ The discussion was based on EB/CAP/4/2 (3/25/94)--Eligibility for Expatriate Benefits.

It can be expected that the "grandfathered" group of RA visa holders will be reduced over time, as staff leave the Fund, and that the proportions of G-4 visa staff and RA visa holders will shift to approximate the proportions in which these two groups have been recruited over the years since the 1985 decision.

3. Recruitment Data

Recruitment data for the years 1986 through 1993 are shown in Table 4, broken down by the two grade groupings (A1-A8 and A9-B5) and showing the proportions of RA visa holders that were recruited in each grouping.

Over the last nine years, on average, some 18 percent of support staff recruits have had RA visas, compared with only 6 percent of higher level recruits. This experience does not reflect any deliberate hiring policy. On the contrary, as emphasized by the staff representatives during the Committee discussion, hiring decisions are made on the basis of competence, qualifications, and the needs of the Fund, and they are not influenced by visa status.

The greater proportion of A1-A8 recruits holding RA visas is a consequence of the fact the Fund follows the long-established practice of local recruitment; that is, seeking A1-A8 recruits in the local market rather than recruiting them in their home countries. To an important extent, the Fund is able to recruit employees of other international organizations and embassies; typically, these recruits do not have RA visas, and they need to obtain G-4 visas. Apart from U.S. citizens, the other major source of A1-A8 recruits is foreign nationals who have established themselves as residents of the Washington area, and they are much more likely to hold RA visas. The fact that expatriate benefits are not paid to holders of RA visas has clearly had no impact whatsoever on the Fund's ability to recruit high quality A1-A8 staff from a wide range of nationalities.

In recruiting non-U.S. staff for positions in Grades A9-B5, the Fund's efforts are made outside the United States. Typically, the handful of resident aliens that have been recruited each year have established residence in the United States, and they have taken the initiative to seek Fund employment. As with A1-A8 staff, the absence of expatriate benefits has had no impact on the willingness of these applicants to accept employment if it has been offered to them.

Thus, recruitment and retention experience does not provide any argument in favor of a change in the eligibility criterion for expatriate benefits.

4. Nationality Distribution

The Articles of Agreement require that "In appointing the staff the Managing Director shall, subject to the paramount importance of securing the highest standards of efficiency and technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible" (Article XII, Section 4(d)).

Article XII, Section 4(b) states, "Subject to the general control of the Executive Board, he [i.e., the Managing Director] shall be responsible for the organization, appointment, and dismissal of the staff of the Fund."

In its recruitment of staff at all levels, in accordance with the requirement of the Articles, the Fund has sought to achieve the broadest geographic "mix" among the staff consistent with achieving the highest standard of competence. The requirement of a wide geographical distribution of staff is intended to promote the needed diversity of culture, education, language skills, and perspective required in an international organization. In all reports to Executive Directors on the mix of staff, the basis has been nationality, and in this respect it is difficult to see a more satisfactory single indicator.

The question was raised in the recent discussion in the CAP whether there is an inconsistency between (i) the use of nationality as the indicator for assessing how well geographical diversity is being achieved and (ii) the use of a visa test as the basis for determining eligibility for benefits. It was also suggested that there may be a legal question involved.

The provisions of the Articles quoted above mandate the Fund's efforts to achieve diversity of staffing. In this regard, the clear meaning of the term "geographical basis", as used in Article XII, Section 4(d) and Rule N-1, refers to nationality distribution among the staff. Under Article XII, Section 4(b), it is open to the Executive Board, as in other matters, to give the Managing Director direction as to how to achieve this mandate. However, there is nothing in the Articles of Agreement or the Rules and Regulations that creates any legal connection between the guidance of the Executive Board on staffing and the decisions it may take on the eligibility for expatriate benefits. The policies involved in these decisions serve distinct purposes, and there is no legal principle that requires the same test to be used with respect to these issues. Thus, the use of different criteria for assessing the geographical distribution of staff, on the one hand, and for determining eligibility for expatriate benefits, on the other, is not objectionable from a legal standpoint.

From the standpoint of policy, an argument for consistency does not seem to be compelling. There is no necessary connection between eligibility for home leave and education benefits and the way in which the Executive Board makes its judgements on how effectively the Fund is meeting the requirement of the Articles to recruit on a broad geographic basis. The

connection that might be discerned is that expatriate benefits enhance a staff member's ties to his or her country of origin, and thus they contribute, in a qualitative sense, to cultural and geographical diversity in the Fund. But the assessment of the "mix" of staff on the basis of nationality does not lead directly to the conclusion that eligibility for expatriate benefits should be based on the same criterion. Conversely, it would be difficult to argue that only those staff who were eligible for expatriate benefits contributed to a desirable "mix" of staff. 1/

It should also be noted that when the Executive Board took the 1985 decision on eligibility, apart from the possibility that RA visa holders might opt to become U.S. citizens and thereby shift the nationality mix of staff, no question of consistency was raised as between the use of nationality for assessing the geographical diversity of staff and the use of visa status as the basis for eligibility for expatriate benefits. 2/

5. Cost Considerations

Estimates of the potential additional costs of shifting to the nationality criterion, or to one of the other options involving reduced benefits for holders of RA visas, were set out in paragraph 5 (page 11) of EB/CAP/94/2 and in Attachment 2 of that memorandum.

During the discussion in the Committee on Administrative Policies, a question was raised as to the relative costs of employing U.S. citizens, G-4 visa holders (and "grandfathered" RA visa holders), and RA visa holders who are not eligible for expatriate benefits. The latest data indicate the average costs of expatriate benefits are about \$10,700 annually; these costs are applicable to G-4 visa holders and to "grandfathered" RA visa holders. By comparison, tax allowance payments for U.S. staff average \$27,500. As regards RA visa holders employed after January 1985, there are no costs for expatriate benefits, and no tax allowances are payable because no taxes are incurred on their Fund income.

1/ This point may be illustrated by an example. Occasionally it has been suggested that eligibility for expatriate benefits should "expire" after staff had remained in the U.S. for a long period. If that test were ever to be adopted, it would be difficult to maintain that a staff member would suddenly start contributing less to the desirable "mix" of staff simply because he or she had lost eligibility for expatriate benefits.

2/ See EBAP/84/266 (12/10/84), proposing the change to a visa-based system of eligibility, and EB/CAP/88/1 (2/9/88), which reviewed the effect of the new eligibility rules on the Fund's recruitment experience and nationality distribution.

Table 1. Nationality and Visa Status of Fund Staff
In Grades A9-B5

(as of May 6, 1994)

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
Algeria	3	3			
Argentina	24	22	2	2	
Australia	39	37	2	2	
Austria	8	8			
Bahamas	1	1			
Bahrain	1	1			
Bangladesh	6	4	2	1	1
Belgium	29	26	3	2	1
Benin	3	2	1	1	
Bolivia	4	3	1		1
Brazil	26	20	6	4	2
Cameroon	3	3			
Canada	52	47	3	1	2
Central Afr. Rep.	1	1			
Chile	21	19	2	2	
China	22	17	5	4	1
Colombia	3	2	1	1	
Costa Rica	1		1		1
Cote d'Ivoire	3	3			
Croatia	2	2			
Cuba	1	1			
Cyprus	4	3	1		1
Czech Republ.	2	2			
Denmark	14	13	1	1	
Dominican Rep.	1	1			
Ecuador	3	2	1	1	
Egypt	11	9	2	2	
El Salvador	5	4	1	1	

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
Ethiopia	3	2	1	1	
Finland	10	9	1	1	
France	75	67	8	6	2
Gambia, The	2	2			
Germany	59	51	8	8	
Ghana	6	5	1		1
Greece	16	13	3	1	2
Grenada	1	1			
Guinea	1	1			
Guyana	4	4			
Haiti	2	1	1	1	
Hungary	4	4			
Iceland	1	1			
India	45	36	9	5	4
Iran	18	11	7	4	3
Iraq	1		1	1	
Ireland	13	10	3	1	2
Israel	4	4			
Italy	26	23	3	1	2
Jamaica	5	3	2	1	1
Japan	22	22	1	1	
Jordan	7	4	3	3	
Kenya	5	5			
Korea	17	14	3	2	1
Lebanon	10	7	3	3	
Madagascar	1	1			
Malawi	2	2			
Malaysia	7	5	2	2	
Mauritania	1	1			
Mauritius	3	3			
Mexico	15	13	2	1	1
Morocco	3	3			
Mozambique	3	2	1		1

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Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
Myanmar	4	4			
Nepal	1	1			
Netherlands	29	26	3	2	1
New Zealand	13	12	1		1
Nicaragua	3	2	1	1	
Niger	1	1			
Nigeria	4	4			
Norway	9	7	2	2	
Pakistan	13	12	1		1
Panama	1	1			
Peru	24	20	4	2	2
Philippines	15	12	3	3	
Poland	4	3	1		1
Portugal	3	3			
Russian Fed.	8	7	1		1
Rwanda	1	1			
Senegal	5	5			
Sierra Leone	4	3	1		1
Singapore	2	2			
South Africa	4	3	1		1
Somalia	2	1	1		1
Spain	12	10	2	2	
Sri Lanka	8	6	2	2	
Sudan	3	3			
Swaziland	1		1		1
Sweden	9	7	2	2	
Switzerland	2	2			
Syrian Arab Rep.	3	2	1	1	
Tanzania	5	5			
Thailand	6	5	1	1	
Togo	2	2			
Trinidad-Tobago	8	6	2	1	1
Tunisia	9	8	1		1
Turkey	11	10	1		1

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
U.K.	110	99	11	9	2
U.S.	375				
Uganda	4	4			
Uruguay	9	9			
Venezuela	3	3			
Viet Nam	2		2	2	
Yugoslavia	4	4			
Zaire	2	2			
Zambia	3	3			
Zimbabwe	<u>3</u>	<u>3</u>	<u> </u>	<u> </u>	<u> </u>
	1,052	908	144	98	46
United States	<u>375</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>	<u>n.a.</u>
	1,427	908	144	98	46

Note: Staff with Resident Alien visas employed before 1/30/85 were grandfathered; staff employed after 1/30/85 are not eligible for eligibility for expatriate benefits. The data excludes staff in Executive Directors' Offices, staff in the Paris and Geneva Offices, and staff on terminal leave.

Table 2. Nationality and Visa Status of Fund Staff
In Grades A1-A8

(as of May 6, 1994)

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
Afghanistan	5	1	2		2
Algeria					
Argentina	9	7	2	2	
Australia	11	9	2	2	
Austria	1	1			
Bahamas					
Bahrain					
Bangladesh	1	1			
Barbados	2	2			
Belgium	5	2	3	1	2
Benin					
Bolivia	14	8	6	3	3
Brazil	11	10	1		1
Cameroon	1		1	1	
Canada	19	13	6	4	2
Central Afr. Rep.					
Chile	7	4	3	1	2
China	9	4	4	3	1
Colombia	14	7	7	4	3
Costa Rica	2	1	1	1	
Cote d'Ivoire					
Croatia					
Cuba					
Cyprus					
Czech Republ.	1	1			
Denmark					
Dominican Rep.	2	2			
Ecuador	5	2	3	2	1
Egypt	3	1	2	2	
El Salvador	4		4	1	3

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed	
				Prior to 1/30/85	Employed After 1/30/85
Ethiopia	2	1	1		1
Finland	2		2		2
France	22	12	10	5	5
Gambia, The					
Germany	7	4	3	2	1
Ghana	5	5			
Greece	3	3			
Grenada					
Guatemala	6	2	4	4	
Guinea	1	1			
Guyana	5	2	3	1	2
Haiti	8	4	4	2	2
Honduras	3	2	1	1	
Hungary					
Iceland					
India	36	22	14	7	7
Indonesia	1	1			
Iran	3	1	2		2
Iraq	1		1		1
Ireland	1		1		1
Israel	1	1			
Italy	8	7	1	1	
Jamaica	15	6	9	9	
Japan	3	2	1	1	
Jordan	1	1			
Kenya	2	2			
Korea	4	2	2	2	
Lebanon	4		4	3	1
Liberia	1		1		1
Madagascar	3	2	1	1	
Malawi					
Malaysia	4	3	1	1	
Mauritania					

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
Mali	2	2			
Mauritius	5	5			
Mexico	3	2	1	1	
Morocco	1	1			
Mozambique					
Myanmar	3	3			
Nepal					
Netherlands	5	4	1	1	
New Zealand	8	6	2	2	
Nicaragua	5	1	4	1	3
Niger					
Nigeria	1	1			
Norway					
Oman	1	1			
Pakistan	4	3	1	1	
Panama	2		2	1	1
Peru	36	21	15	9	6
Philippines	54	41	13	7	6
Poland	1	1			
Portugal	1		1	1	
Russian Fed.	3	2	1		1
Rwanda					
Senegal					
Sierra Leone	8	7	1		1
Singapore	1		1		1
Somalia					
South Africa	2	1	1		1
Spain	2		2	2	
Sri Lanka	5	5			
Sudan	1	1			
Swaziland					
Sweden	1	1			
Switzerland	1	1			

Country of Nationality	Total Staff	Staff Holding G-4 Visas	Staff Holding Resident Alien Visas		
			Total	Employed Prior to 1/30/85	Employed After 1/30/85
Syrian Arab Rep.	2		2	1	1
Tanzania	2	1	1	1	
Sweden	1	1			
Switzerland	1	1			
Syrian Arab Rep.	2		2	1	1
Tanzania	2	1	1	1	
Thailand	3	3			
Togo	1	1			
Trinidad-Tobago	13	6	7	6	1
Tunisia					
Turkey	1		1	1	
U.K.	62	44	18	16	2
Uganda	1	1			
Uruguay	9	8	1		1
Venezuela	1	1			
Viet Nam	3		3	3	
Yemen	2	1	1		1
Yugoslavia	2	1	1	1	
Zaire					
Zambia					
Zimbabwe					
Total:	<u>533</u>	<u>339</u>	<u>194</u>	<u>123</u>	<u>71</u>
United States	<u>201</u>	—	—	—	—
Total:	734	339	194	123	71

Note: Staff with Resident Alien visas employed before 1/30/85 were grandfathered; staff employed after 1/30/85 are not eligible for eligibility for expatriate benefits. The data excludes staff in Executive Directors' Offices, staff in the Paris and Geneva Offices, and staff on terminal leave.

Table 3. Summary of Distribution of Staff
by Visa Status

(as of May 6, 1994)

	<u>Number of Staff</u>	<u>Percent of Total</u>
<u>A1 - A8</u>		
Total staff	734	100.0
U.S. nationals	201	27.4
Non-U.S. nationals	533	72.6
G-4 visa holders	339	46.2
RA visa holders	194	26.4
RA visa holders pre-1/30/85	123	16.8
RA visa holders post-1/30/85	71	9.6
<u>A9 - B5</u>		
Total staff	1,427	100.0
U.S. nationals	375	26.3
Non-U.S. nationals	1,052	73.7
G-4 visa holders	908	63.6
RA visa holders	144	10.1
RA visa holders pre-1/30/85	98	6.9
RA visa holders post-1/30/85	46	3.2

Table 4. Recruitment of Holders
of Resident Alien Visas

(1986 - 1993)

	A1 - A8			A9 - B5		
	<u>Total Recruited</u>	<u>Resident Alien</u>	<u>%</u>	<u>Total Recruited</u>	<u>Resident Alien</u>	<u>%</u>
1986	52	8	15.4	62	4	6.5
1987	38	3	7.9	68	7	10.3
1988	44	7	15.9	97	6	6.2
1989	44	9	20.5	82	6	7.3
1990	49	11	22.4	90	6	6.7
1991	62	15	24.2	95	6	6.3
1992	73	12	16.4	198	8	4.0
1993	<u>73</u>	<u>14</u>	19.2	<u>153</u>	<u>9</u>	5.9
Total:	435	79	18.2	845	52	6.2