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EB/CAP/89/2

May 4, 1989

To: Members of the Committee on
Administrative Policies

From: The Acting Committee Secretary

Subject: Staff Travel Allowances

There is attached for the consideration of the Committee on Administrative Policies a paper on staff travel allowances. A proposed decision appears on pages 7 through 9. This subject will be taken up at a meeting of the Committee to be held on a date to be determined.

Mr. L. Wolfe (ext. 7502) or Mr. Wiesner (ext. 8241) is available to answer technical or factual questions relating to this paper prior to the Committee meeting.

Att: (1)

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Members of the Executive Board

INTERNATIONAL MONETARY FUND

Staff Travel Allowances

Prepared by the Administration Department

May 3, 1989

1. In accordance with established practice, the allowances for lodging, meals, etc., paid to staff members travelling at the Fund's expense (business and benefit travel) are reviewed periodically. As a result of a major review conducted in 1987, these allowances were last increased effective January 1, 1988, as shown in Table 1 below.

Table 1. Current Per Night Travel Allowances
(U.S. dollars)

Tier	Number of Countries	Hotel Rates	Subsistence Rates	Total Allowances
1	24	45	40	85
2	45	55	45	100
3	32	60	55	115
4	32	75	65	140
5	27	85	75	160

Hotel rates were increased marginally, while subsistence rates, based on World Bank data, 1/ were increased by an average of 15 percent. It should be noted that hotel rates are set at levels that will encourage staff members to choose hotels that are reasonably priced, particularly in cities where a considerable range of hotel accommodation exists. Staff

1/ Data from the United Nations and the U.S. Department of State were used to supplement the World Bank information where necessary.

continued to have the option of claiming reimbursement of actual hotel expense plus the standard subsistence allowance (or more if justified by adequate documentation) whenever the applicable allowance proved to be inadequate. Special subsistence rates were established for two high-cost cities--Paris and Tokyo--which are frequently visited by Fund staff in the course of business travel and where the standard allowances were insufficient to cover subsistence expenses. As part of the review, a number of alternatives to the present tier system were also explored, but it was concluded that the tier system consisting of separate hotel and subsistence elements remained the most cost-effective approach for the Fund.

Review of Alternative Systems

2. At the CAP Meeting 87/2 (12/22/87), some Executive Directors suggested that consideration be given to expressing travel allowances in SDRs on a trial basis. Such a system would clearly have the advantage of taking into account fluctuations in exchange rates, which hitherto were not automatically reflected in the allowances, although it would not necessarily reflect fully another important factor, i.e., changes in local inflation rates. Furthermore, the use of the SDR as the unit of account when setting travel allowances would provide a regular mechanism for adjusting the allowances. In this context, it should be noted that if the travel allowances established in 1983 had been expressed in SDRs, over the ensuing five-year period the per night allowances converted to U.S. dollars would have declined by about 20 percent in 1984 and in 1985, and then risen over the next three years by around 45 percent. Overall, the effect on the Fund's Administrative Budget would have been to increase the cost of travel allowances by slightly more than \$1 million over the period 1983-1988.

3. Using the SDR as the unit of account would also increase administrative costs. First, the SDR per night allowances expressed in U.S. dollars would have to be updated frequently and communicated to the staff in the form of Staff Bulletins on a regular basis. Second, the work load in the Treasurer's Department would increase. Procedures allowing for continually changing U.S. dollar allowances would need to be devised for processing travel claims, particularly in those instances when a trip extended over a period covered by more than one U.S. dollar rate. Finally, additional amounts of time would also have to be spent by the travelling staff, Administrative Officers, and staff in the Transportation Section to understand and administer the system.

4. Another option suggested by a Committee member was to set the travel allowances for each country in its national currency and subsequently convert them into U.S. dollars. Like the SDR approach, a system using national currencies would entail substantial additional administrative work as individual national currency rates for each country would have to be maintained. This system was tried on a provisional basis in 1978 for a few cities with special city rates where costs had been increasing rapidly. However, because of the difficulties experienced in

administering the system, it was abolished one year later. In this context, it should be noted that the United Nations and the U.S. Department of State both maintain an individual country allowance structure which is updated monthly, but the cost of implementing this system must be measured against the economies of scale derived from these organizations' large volume of travel. Given the smaller volume of travel in the Fund, and in order to retain a system which is simple and less expensive to administer, it is proposed to continue with the present five-tier allowance structure and a limited number of special city allowances, all denominated in U.S. dollars. However, in order to reduce some of the problems experienced thus far with the present procedures, it is planned to adhere to an annual cycle for reviewing travel allowances. Henceforth, reviews will begin in the late summer every year (with the first in 1990), with any changes to be implemented early in the following year.

Proposed Hotel and Subsistence Allowances

5. The proposed hotel rates have been set at levels which will encourage staff members to choose hotels that are reasonably priced. ^{1/} Accordingly, taking into account increases in hotel costs experienced in 1988, the new rates have been set at \$45, \$55, \$65, \$85, and \$95. Staff members who choose hotel accommodation, the cost of which is below the standard hotel rate, would continue to receive the standard rate for that country; in all other cases, and within acceptable limits, payments would be made on the basis of the actual hotel room cost. The proposed adjustments represent a weighted increase of 5 percent over the current rates.

6. The subsistence rates have been set, as in the past, using World Bank experience, supplemented where necessary, by data from the United Nations and the U.S. Department of State. The proposed subsistence rates of \$40, \$50, \$60, \$75, and \$80 represent a weighted increase of approximately 8 percent above the current rates. Should the proposed rates prove to be inadequate for some countries, actual expenses (supported by adequate documentation) would continue to be reimbursed. The additional allowance of \$7 per night over the otherwise applicable allowance currently paid to department heads and heads of missions at the mission site will be increased to \$10 per night.

^{1/} The Transportation Section maintains a list of such hotels which are deemed satisfactory with regard to location and standards of accommodation during mission travel. Staff are required to make their hotel reservations through the Fund's authorized travel agencies who will reserve rooms at rates (standard, corporate, or negotiated) acceptable to the Fund. If the rate of a hotel that is selected exceeds the level acceptable to the Fund, staff are reminded that unless justified by unusual circumstances (e.g., non-availability of rooms in a hotel acceptable to the Fund), reimbursement will not exceed the cost of accommodation that would have been incurred for the most expensive standard single room acceptable to the Fund.

7. Table 2 shows the proposed hotel and subsistence rates for each of the five tiers; an alphabetical listing for all countries by area department is contained in Attachment I. Of the 161 countries covered, the per night allowances (hotel and subsistence) would be raised for 106 countries (66 percent), lowered for 24 countries (15 percent), and remain at the present level for 31 countries (19 percent).

Table 2. Proposed Per Night Travel Allowances
(U.S. dollars)

Tier	Number of Countries	Hotel Rates	Subsistence Rates	Total Allowances
1	26	45	40	85
2	39	55	50	105
3	44	65	60	125
4	40	85	75	160
5	12	95	80	175

Special City Rates

8. In 1988, special subsistence rates were established for two high-cost cities--Paris and Tokyo at \$85 and \$130, respectively. In view of the continued escalation of prices in these and a number of other cities, it is proposed to increase the subsistence allowance for Paris to \$90 and for Tokyo to \$135, and to add to this list Geneva at \$85, London at \$90, and New York at \$70. The special city rates would apply only to business travel and only where hotel accommodations are used.

In-and-Out Allowance

9. This allowance covers transportation to and from the airport, portage, and airport taxes. It was raised from \$30 to \$40 effective January 1, 1988. In view of higher city transportation costs, particularly in Washington, D.C. and the major transit cities, and continued increases in departure taxes, it is proposed to increase the in-and-out allowance to \$50. Since these costs are the same, irrespective of whether an overnight or a day trip is taken, it is also proposed to eliminate the differentiation in the rate for day trips and increase that allowance from \$35 to \$50.

Lump Sum Allowance

10. A lump sum allowance of \$210 is currently paid in lieu of hotel, subsistence, and in-and-out expenses for travel costs at official

stopovers en route from Washington to the first official destination and en route from the last official destination to Washington. It is proposed to establish a two-tier lump sum allowance for business travel only, one at \$270 (\$220 for the per night allowance and \$50 for the in-and-out allowance) for a few major, high-cost transit cities, and the other at \$225 (\$175 for the per night allowance and \$50 for the in-and-out allowance). The former would be applicable to the following cities: Frankfurt, Geneva, London, Paris and Tokyo. All other stopover cities would be covered by the \$225 allowance. The guidelines implemented in 1984 to avoid unnecessary stopovers in, or routings through, certain cities that increased the cost of a trip significantly, will continue to be enforced. The lump sum allowance would continue to be paid only for authorized stopovers that are actually taken, except in the case of home leave (see paragraph 11). If the hotel cost is paid by the airline, which the staff member is required to indicate on the travel claim, the allowance would be reduced accordingly. When overnight flights are used on the regular, most direct route, a reduced per night allowance of \$60 (no change from the current rate) would be paid to meet subsistence expenses the following day. In unusual cases where the lump sum allowance is clearly and grossly inadequate, actual costs would be reimbursed on the basis of documented evidence of all expenses including lodging, meals, and in-and-out expenses incurred on both the outward and return legs of the journey, provided the expenses are deemed reasonable and essential.

11. The lump sum allowance of \$225 will apply to all benefit travel. In the case of home leave travel, experience has shown that, with very few exceptions, staff take all of the authorized stopovers to which they are entitled. A review of the effort required to recover that portion of the lump sum allowance paid in advance for stopovers not taken has demonstrated that the cost of the staff time needed exceeds the amounts actually recovered. Therefore, in the interest of reducing the work load associated with settling home leave travel claims, improving the efficiency of the units performing this work, and reducing costs, it is proposed that the advance payments to staff members for their stopover entitlements and any land travel no longer be subject to any adjustment upon completion of the travel. On their return, staff members will only be required to certify that home leave was taken in accordance with the policy and will be required to submit their airline stubs. It is also proposed to abolish the subsistence allowance of 4 cents per mile per person presently paid in lieu of the lump sum allowance in those few cases where staff members opt to travel part or all of the way to or from the home leave destination by automobile.

Mileage Allowance

12. When staff members use a private automobile for official travel instead of commercial transportation, they are reimbursed for the estimated cost of gasoline, maintenance, repairs and insurance. The present rate of 28 cents per mile was established effective May 1, 1985. Since then, there has been an increase of approximately 13 percent in the cost of automobile travel. It is, therefore, proposed to raise the Fund rate to 32 cents per mile.

Notification Allowance

13. A review of the effectiveness of the system presently used by the Fund to notify families about the arrival and departure of Fund staff on official business travel was undertaken over the past year. ^{1/} The review showed that the system was cumbersome, required an appreciable amount of staff time, and yet did not adequately satisfy the needs of timely notification of family members. Various alternatives were considered, including the possibility of giving the responsibility for notification to the department leading the mission. It was concluded, however, that the most effective solution would be for staff to notify their families directly about arrival/departure and change in travel plans and that, in order to defray the costs of communication, they be provided with a notification allowance. Accordingly, based on information gathered on the cost of making three-minute telephone calls from 93 member countries to headquarters and allowing for extra charges levied by hotels for placing such calls, it is proposed to introduce a three-tier notification allowance for each official business trip involving at least one overnight stay according to the various regions as follows:

Asia, Africa, Middle East, South America, Oceania	\$35
Central America, Caribbean, Europe	\$25
North America	\$5

The allowance would be paid without requiring staff members to submit evidence of actual expenses incurred. Following a short period of overlap, the family notification system in its present form would be discontinued. Based on present travel patterns, the annual cost to the Fund of this allowance would be approximately \$60,000; there would be some offsetting savings in staff time as a result of the elimination of the notification system.

Home Leave Allowance

14. The present formula for the adjustment of the home leave allowance requires that the allowance be adjusted by the weighted percentage increase in daily subsistence rates; on this basis, the

^{1/} Under the procedures currently in effect, interested staff members complete and send a notification form to the Cable Room prior to their departure on mission travel requesting family notification of safe arrival, itinerary changes and scheduled return to Washington. Cable Room staff screen incoming communications for this information and attempt to notify designated families. When contact with the family cannot be made within twenty-four hours, responsibility for notification is passed on to the department heading the mission.

allowance would need to be raised by 8 percent, which would yield the following adjustments:

Staff member	\$990 to \$1,070
Spouse and each dependent child	\$490 to \$535

Draft Decision

15. The following draft decision is proposed for adoption by the Executive Board:

Effective for all staff travel commencing on or after June 1, 1989:

(a) The revised rates under the five-tier system of travel allowances will be as follows:

Per Night Travel Allowances
(U.S. dollars)

Hotel Rates	Subsistence Rates	Total Allowances
\$45	\$40	\$ 85
55	50	105
65	60	125
85	75	160
95	80	175

The tier which applies for each country is shown in Attachment I. In cases where the actual hotel bill, as presented, exceeds the hotel rate, settlement will be made on the basis of reasonable actual hotel expenses. Similarly, in cases where the proposed subsistence rates prove to be inadequate, travel claims for necessary and reasonable expenses supported with adequate documentation will be reimbursed on an actual expense basis.

(b) Special subsistence allowances will apply for Geneva, London, New York, Paris and Tokyo. These allowances are:

Geneva	\$ 85
London	\$ 90
New York	\$ 70
Paris	\$ 90
Tokyo	\$135

The allowances are applicable only to business travel and when hotel accommodations are used. Management is authorized to adjust these rates or add to and/or delete from this list as required to reflect changes in subsistence costs.

(c) The in-and-out allowance will be raised to \$50; this allowance will also apply to one-day trips.

(d) A two-tier system of the lump sum allowance applicable for each authorized stopover en route from Washington to the first official destination and en route from the last official destination to Washington will be established as follows:

Frankfurt, Geneva, London, Paris, Tokyo	\$270
All other stopover cities	\$225

The lump sum will only be paid for authorized stopovers when there is specific evidence that they have been taken, except in the case of home leave travel. The allowance will be reduced in the event the airline pays for the hotel room. Where overnight flights are required on the regular, most direct route, an allowance of \$60 will be paid to meet subsistence expenses the following day. When the lump sum is clearly and grossly inadequate, reasonable actual expenses will be reimbursed on the basis of documented evidence of all expenses, including lodging, meals, and in-and-out expenses incurred during travel from and to Washington.

(e) The lump sum allowance of \$225 will apply to all benefit travel. In the case of home leave, staff members will receive an advance payment for their stopover entitlements and any land travel, which will not be subject to any adjustment upon completion of the travel. The subsistence allowance of 4 cents per mile per person presently paid in lieu of the lump sum allowance when travel is by automobile for part or all of the way to or from the home leave destination will be abolished.

(f) The mileage allowance will be raised from 28 cents per mile to 32 cents per mile.

(g) A notification allowance for staff members to contact their families directly will be introduced for each official business trip involving at least one overnight stay according to the various regions as follows:

Africa, Asia, Middle East, South America, Oceania	\$35
Central America, Caribbean, Europe	\$25
North America	\$5

(h) The home leave allowance will be raised to \$1,070 for a staff member and \$535 for a spouse and each dependent child.

(i) The additional allowance for department heads and heads of missions at the mission site will be raised to \$10 per night.

Attachment

ATTACHMENT I-1

AFRICAN DEPARTMENT TRAVEL ALLOWANCES
(In U.S. dollars)

	HOTEL	45	55	65	85	95
	SUBSISTENCE	40	50	60	75	80
COUNTRY	TOTAL	85	105	125	160	175
* ALGERIA					1	
* ANGOLA						1
* BENIN					1	
* BOTSWANA			1			
** BURKINA FASO				1		
* BURUNDI				1		
CAMEROON					1	
CAPE VERDE	1					
* CENTRAL AFRICAN REP.					1	
* CHAD					1	
** COMOROS				1		
* CONGO						1
COTE D'IVOIRE					1	
* DJIBOUTI					1	
* EQUATORIAL GUINEA			1			
* ETHIOPIA			1			
* GABON						1
* GAMBIA			1			
* GHANA				1		
* GUINEA					1	
** GUINEA-BISSAU	1					
* KENYA			1			
LESOTHO	1					
* LIBERIA				1		
* MADAGASCAR			1			
MALAWI	1					
MALI					1	
* MAURITANIA				1		
* MAURITIUS				1		
* MOROCCO			1			
* MOZAMBIQUE			1			
** NIGER				1		
** NIGERIA	1					
* RWANDA					1	
* SAO TOME & PRIN.				1		
SENEGAL					1	
* SEYCHELLES					1	
** SIERRA LEONE			1			
SOMALIA	1					
SWAZILAND	1					
* TANZANIA			1			
* TOGO					1	
* TUNISIA			1			
* UGANDA					1	
* ZAIRE						1
* ZAMBIA				1		
* ZIMBABWE			1			
	47	7	12	10	14	4

*Per night allowances being raised.
**Per night allowances being lowered.

ATTACHMENT I-2

ASIAN DEPARTMENT TRAVEL ALLOWANCES
(In U.S. dollars)

COUNTRY	HOTEL SUBSISTENCE	45 40	55 50	65 60	85 75	95 80
TOTAL		85	105	125	160	175
* BANGLADESH			1			
BHUTAN	1					
** BURMA	1					
* CHINA				1		
** FIJI			1			
* HONG KONG					1	
* INDIA				1		
* INDONESIA				1		
* JAPAN						1
KAMPUCHEA	1					
* KIRIBATI				1		
* KOREA				1		
LAO, PDR	1					
* MALAYSIA			1			
MALDIVES	1					
MICRONESIA	1					
NEPAL	1					
** PAPUA NEW GUINEA				1		
* PHILIPPINES				1		
* SINGAPORE				1		
SOLOMON ISLANDS	1					
** SRI LANKA	1					
* THAILAND				1		
* TONGA			1			
VIETNAM	1					
* VANUATU				1		
WESTERN SAMOA	1					
27		11	4	10	1	1

*Per night allowances being raised.
**Per night allowances being lowered.

ATTACHMENT I-3

EUROPEAN DEPARTMENT TRAVEL ALLOWANCES
(In U.S. dollars)

COUNTRY	HOTEL SUBSISTENCE	45 40	55 50	65 60	85 75	95 80
TOTAL		85	105	125	160	175
** AUSTRALIA				1		
* AUSTRIA					1	
BELGIUM					1	
* CYPRUS				1		
* CZECHOSLOVAKIA			1			
* DENMARK						1
* FINLAND						1
* FRANCE						1
GERMANY					1	
* GREECE				1		
* HUNGARY				1		
ICELAND					1	
* IRELAND					1	
* ISRAEL				1		
ITALY					1	
LUXEMBOURG					1	
** MALTA			1			
NETHERLANDS					1	
* NETHERLANDS ANTILLES				1		
* NEW ZEALAND					1	
* NORWAY						1
* POLAND				1		
* PORTUGAL				1		
* ROMANIA				1		
* SOUTH AFRICA			1			
SPAIN					1	
* SWEDEN						1
* SWITZERLAND						1
* TURKEY				1		
* UNITED KINGDOM						1
* YUGOSLAVIA			1			
31		0	4	10	10	7

*Per night allowances being raised.
**Per night allowances being lowered.

ATTACHMENT I

MIDDLE EASTERN DEPARTMENT TRAVEL ALLOWANCES
(In U.S. dollars)

COUNTRY	HOTEL SUBSISTENCE	45 40	55 50	65 60	85 75	95 80
TOTAL		85	105	125	160	175
** AFGHANISTAN		1				
** BAHRAIN				1		
* EGYPT			1			
* IRAN					1	
* IRAQ					1	
* JORDAN				1		
KUWAIT					1	
** LEBANON	1					
* LIBYA				1		
* OMAN					1	
* PAKISTAN			1			
* QATAR					1	
* SAUDI ARABIA					1	
* SUDAN					1	
* SYRIA					1	
UNITED ARAB EMIRATES					1	
* YEMEN ARAB REPUBLIC					1	
* YEMEN, PDR				1		
18		2	2	4	10	0

*Per night allowances being raised.
**Per night allowances being lowered.

ATTACHMENT I-5

WESTERN HEMISPHERE DEPARTMENT TRAVEL ALLOWANCES
(In U.S. dollars)

	HOTEL	45	55	65	85	95
	SUBSISTENCE	40	50	60	75	80
COUNTRY	TOTAL	85	105	125	160	175
* ANTIGUA & BARBUDA					1	
* ARGENTINA				1		
BAHAMAS					1	
* BARBADOS					1	
** BELIZE			1			
* BERMUDA					1	
** BOLIVIA	1					
** BRAZIL			1			
* CANADA				1		
* CAYMAN ISLANDS				1		
* CHILE			1			
* COLOMBIA			1			
* COSTA RICA			1			
* DOMINICA			1			
** DOMINICAN REPUBLIC	1					
ECUADOR	1					
* EL SALVADOR			1			
* GRENADA				1		
* GUATEMALA			1			
** GUYANA			1			
* HAITI			1			
* HONDURAS			1			
* JAMAICA				1		
* MARTINIQUE					1	
* MEXICO			1			
* MONTSERRAT			1			
* NICARAGUA				1		
* PANAMA			1			
** PARAGUAY	1					
* PERU			1			
* ST. KITTS				1		
* ST. LUCIA				1		
** ST. VINCENT				1		
** SURINAME			1			
* TRINIDAD & TOBAGO			1			
** UNITED STATES				1		
URUGUAY	1					
VENEZUELA	1					
38	6	17	10	5	0	

*Per night allowances being raised.
**Per night allowances being lowered.