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EB/CAP/83/2

March 22, 1983

To: Members of the Committee on Administrative Policies

From: The Committee Secretary

Subject: Report on Costs Incurred by Participants in the External
Assignments Program for Professional and Career Development

Attached, for the consideration of the Committee on Administrative Policies, is a report on the costs incurred by participants in the External Assignments Program for Professional and Career Development. This information was requested by the Committee at meeting 82/4 (12/9/82). A draft decision to be submitted to the Executive Board for approval on a lapse-of-time basis appears on page 4.

It is proposed to take up the report at a meeting of the Committee on a date to be announced.

Att: (1)

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INTERNATIONAL MONETARY FUND

Report on Costs Incurred by Participants in the External
Assignments Program for Professional and Career Development

Prepared by the Administration Department

March 22, 1983

On December 9, 1982, at meeting 82/4, the Committee on Administrative Policies (CAP) considered a report summarizing the operations of the External Assignments Program for Professional and Career Development since its introduction in August 1981, and also a proposal to increase the salary advance entitlement available to participants in the Program (EB/CAP/82/12, 12/3/82). During the discussion, an additional proposal was put forward by a Committee member to provide participants with an installation allowance in order to cover the settling-in costs and to ease the financial burden of relocation.

Before reaching a decision on these two proposals, the Committee requested that additional information be made available to its members in order that they might determine the most appropriate means of compensating for any excessive financial hardships faced by staff members participating in this Program. This report provides information on the costs incurred by past and present participants in the External Assignments Program. In presenting options for the Committee to consider, the report also outlines some factors that should be taken into account when considering the various options, together with their advantages and drawbacks.

Interviews were conducted with four out of the five program participants to determine what major expenses they incurred. The following three factors were considered the most significant:

(a) Costs of maintaining Fund benefits, i.e., contributions to the Staff Retirement, Medical Benefits, and Group Life Insurance Plans.

(b) Costs of installation and settling-in at the temporary duty station.

(c) Costs at the permanent duty station (Washington) during the external assignment.

Of these, the contributions to the Staff Retirement, Medical Benefits, and Group Life Insurance Plans were in all cases reported to be the most substantial expenses. To date, all five participants have elected to continue their contributions to these three Plans at an average cost of about \$5,700 a year, representing about 14 per cent of the participants' average annual Fund salary.

The costs associated with the installation at the temporary duty station were also substantial, with estimates ranging between \$2,900 and \$5,600. The mean was approximately \$4,000, representing about 10 per cent of the staff members' average Fund salary. These costs usually covered the renting and/or furnishing of an apartment, including the purchase of a wide range of appliances. One participant incurred substantial education costs because the External Assignments Program does not provide for an education allowance from the Fund.

In two cases, the costs at the permanent duty station (Washington), both before and during the assignment, were significant. One participant incurred expenses totalling approximately \$3,000 for breaking a lease, selling a car under its market value, and for exceeding the Fund's shipping entitlement under this Program. A participant who recently purchased a new house and will rent it while on a two-year external assignment, estimates a negative cash flow of \$9,000 per year, which is about 25 per cent of his annual Fund salary.

The full implications of these financial burdens, which could amount to approximately 50 per cent of a staff member's average Fund salary, are brought more sharply into focus if it is considered that in a number of countries, particularly in developing countries, participants must accept a reduction in net salary in order to take up an external assignment.

In considering ways of offsetting these financial costs, the following factors should be taken into account:

(a) As the Director of Administration mentioned during CAP meeting 81/3 (8/6/81), there is a need for consistency among programs of a similar nature in order to avoid a proliferation of different benefit policies. At CAP meeting 82/4 (12/9/82), he also noted the need for consistency between programs offered both by the Fund and the World Bank. The External Assignments Program is similar to the Fund's Individual Study Program II (Study Leave Without Pay). Both programs are particularly concerned with the professional development of relatively junior staff; the only difference between them being the means by which this is achieved. Individual Study Program II aims at increasing a staff member's effectiveness through formal study or research at an academic institution, whereas the External Assignments Program attempts to achieve this goal through practical work experience with financial institutions in member countries. It is because of this similarity that the benefits and entitlements for both programs are closely aligned. Furthermore, the World Bank is developing an external assignments program which, as drafted, offers a package of benefits and entitlements similar to the Fund's.

(b) When the External Assignments Program was established, it was recognized that, in a number of cases, participants would be required to make some degree of financial sacrifice. However, such a sacrifice should ideally be more than offset by the unique experience gained, which could well make a significant contribution to a staff member's professional development and his future career progression at the Fund. In any case, attempts to minimize such a sacrifice by providing staff members with a salary supplement while they are on the staff of another organization are precluded under the Fund's N-Rules. Furthermore, the Fund's N-Rules prohibit governments from making payments to staff members serving with the Fund and it would not be judicious to institute a policy which would condone that very procedure in reverse.

At present, staff on leave without pay under Individual Study Program II and the External Assignments Program are entitled to a six-month salary advance. This ceiling was based upon an estimate of the average cost of maintaining a staff member's contributions to the Fund's retirement and insurance programs, the probable installation and resettlement costs, projected school fees, the negative cash flow resulting from maintaining a home in Washington, etc. An analysis of the cost estimates shows that the total costs could amount to approximately 50 per cent of the staff member's average annual Fund salary. However, the actual amount of the salary advance, which could conceivably be less than the ceiling, is left to the discretion of the Director of Administration whose decision is based on evidence provided by the staff member justifying his requirements. In recognition of the fact that a staff member on a two-year external assignment will continue to incur substantial costs during the second year, it was proposed that the salary advance entitlement be increased (EP/CAP/82/12, 12/3/82). Specifically, the proposal recommended that participants be entitled to receive one month's salary advance for every two months of leave up to a maximum of one year's salary. The repayment period would be adjusted proportionately, so that a person granted the maximum entitlement (12 months' salary) would have up to 12 years to repay the Fund, instead of the present limit of 6 years.

As a means of offsetting installation and settling-in costs, a member of the CAP proposed that participants also receive an installation allowance, either in the form of a lump sum payment equal to the amount provided for new staff or staff on resident representative assignments, 1/

1/ New staff members at Range F and above, recruited from outside the Washington, D.C. area, receive an installation allowance of \$2,340 for themselves, \$1,170 for their spouse and each child four years of age or older, and \$585 for each child under the age of four. Fund resident representatives receive, as their installation allowance, hotel costs plus per diem (based on rates set forth in the standard travel schedule) for up to a maximum of 15 days. They receive half of this allowance for their spouse and dependents age four and older and one quarter of the allowance for dependents under the age of four.

or by reimbursing the staff member for actual documented costs. In considering this option, it should be kept in mind that, to date, an installation allowance has only been provided in cases where a staff member's recruitment or continued service on behalf of the Fund involves a relocation; it is not provided under any of the Individual Study Programs nor is it contemplated under a similar external assignment program being developed at the World Bank. If the installation allowance were, however, to be considered preferable, it would seem prudent to reduce the salary advance entitlement proportionately, as the latter is also supposed to help defray some of the settling-in or installation costs.

In the light of this review of prospective costs faced by participants in the External Assignments Program, the only change that we would recommend to the package of benefits under the Program relates to shipping entitlements. In most cases, leave for external assignments is for a period of two years, whereas leave under Individual Study Program II is normally for one year. It is, therefore, proposed that the shipping entitlements for the Program be increased and brought in line with the entitlements under other Individual Study Programs.

Accordingly, the proposed decision for adoption by the Executive Board contained in document EB/CAP/82/12 of December 3, 1982 is amended as follows:

1. The limit of the salary advances available to participants in the External Assignments Program is increased from 6 months' to 12 months' net salary. These salary advances shall be granted at the rate of one month's net salary for every two months of leave.

2. The shipping entitlements under the same Program for the staff member, but not his dependents, is increased as follows:

- (a) Surface shipment of personal effects from 1,000 lbs. to 1,500 lbs.

- (b) Air shipment of personal effects from 200 lbs. to 300 lbs.

3. Future reports on the operation of the External Assignments Program shall be incorporated into the Annual Report on the Operations of the Individual Study and Other External Training Programs to be submitted to the Committee on Administrative Policies in June of each year.