

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**IMMEDIATE
ATTENTION**

MASTER FILES
ROOM C-120

14.

EB/CAP/83/4

July 19, 1983

To: Members of the Committee on Administrative Policies
From: The Committee Secretary
Subject: Education Allowance Review

There is attached for consideration by the Committee a paper dealing with the adjustment of education allowances for the 1983/84 academic year. The recommendations contained therein are an application of the procedures that have been followed annually since 1980.

In the absence of a request to the Committee Secretary that this matter be taken up by the close of business on Tuesday, July 26, 1983, the recommendations will be deemed approved by the Committee for transmittal to the Executive Board on a lapse-of-time basis.

Att: (1)

Other Distribution:
Members of the Executive Board

INTERNATIONAL MONETARY FUND

Education Allowance Review

Prepared by the Administration Department

July 18, 1983

I. Main Features of the Education Allowance Policy

In conformity with established procedures, the 1983 review of education allowances focuses on an analysis of recent experience with the Fund's education allowances, and surveys prospective trends in tuition and subsistence costs for the coming year. The findings of the review form the basis for proposals for adjusting the ceilings on existing allowances.

There are three basic elements to the Fund's education allowances: an allowance for tuition costs in the country of assignment; an allowance for tuition and boarding in other countries; and a flat subsistence grant for children studying abroad who are not boarding at the institution of study or are not living in the household of a parent. In arriving at maximum allowances for these different categories, the objective of the policy is to reimburse 75 per cent of education costs for at least 90 per cent of the claimants. Allowances are set on the basis of costs in the Washington Metropolitan Area; for overseas locations, the dollar value of the maximum allowances is adjusted upward or downward to reflect differences in costs between Washington, D.C. and any particular overseas location as measured by the UN Post Adjustment Index (UNPAI).

On August 1, 1982, the following allowances came into effect:

	<u>Academic Year 1982/83</u>
Maximum allowance for tuition at schools in the country of assignment	\$3,400
Maximum allowance for tuition and boarding at schools and universities outside the country of assignment	\$5,000
Flat subsistence grant	
1. at primary and secondary school level	\$1,200
2. at post-secondary school level	\$2,400

II. Review of Experience in 1982/83 and Prospects for 1983/84

The maximum allowance for tuition at schools in countries of assignment proved adequate in the 1982/83 academic year, with only some 6 per cent of the claimants failing to receive 75 per cent reimbursement of their children's fees. The Administration Department has recently undertaken a survey of 33 schools in the Washington area attended by 57 per cent of the applicants' children to determine the adequacy of the current maximum in light of anticipated 1983/84 education costs.

The results of the survey show an 11.5 per cent increase in the weighted average cost of attendance at these schools. The larger relative increases were, however, reported by the less expensive schools in the survey with those above, or close to, the present ceiling (\$4,533, i.e., the Fund maximum allowance x 100/75) reporting increases in the 8 to 9 per cent range. Accordingly, it is judged that if the maximum allowance for the 1983/84 academic year were increased by 8.8 per cent, or \$300, to \$3,700, the objective of reimbursing 75 per cent of the recognized tuition fees for at least 90 per cent of the claimants would be met.

The maximum "base allowance" of \$5,000 for tuition and boarding outside of the staff member's country of assignment was sufficient to cover 75 per cent of the school and university costs for 92 per cent of the claimants in 1982/83. As in previous years, those children whose fees exceeded the Fund ceiling were studying in Canada and the United Kingdom. In order to continue to attain the objective of covering 75 per cent of tuition costs for at least 90 per cent of claimants, it is proposed to raise the "base allowance" for study outside the country of assignment for the 1983/84 academic year by 8 per cent, from \$5,000 to \$5,400. Such an increase would be in line not only with the proposed increase in tuition fees suggested by the survey of Washington area primary and secondary schools, but also with the findings of a World Bank survey of schools and universities worldwide. It is worth noting, however, that tuition fees at Washington area universities have risen somewhat faster, ranging from 8 per cent to 24 per cent.

Inquiries made at local universities revealed that the cost of room and board, which forms the basis for decisions on subsistence allowance grants, will average around \$3,500 in 1983/84, compared with \$3,260 in 1982/83. Since the Fund aims at covering 75 per cent of costs, it is proposed to raise the subsistence grant for university students by \$200 to \$2,600. For children attending primary and secondary school, it is proposed to raise the subsistence grant by \$100 to \$1,300. This adjustment would maintain the same relationship between subsistence grants at school and at university level that has prevailed in recent years.

III. Recommendations

The following draft decision is proposed for adoption by the Executive Board, to be effective for the first full scholastic year which starts on or after August 1, 1983.

a. The maximum allowance for tuition in the staff member's country of assignment shall be increased to \$3,700 from \$3,400 per annum.

b. The maximum "base allowance" for tuition and boarding for children studying outside the staff member's country of assignment shall be increased to \$5,400 from \$5,000 per annum.

c. When children are studying outside the staff member's country of assignment, the "base" subsistence grants at primary and secondary school levels shall be raised to \$1,300 from \$1,200 per annum, and at post-secondary level to \$2,600 from \$2,400 per annum.

IV. Cost

The total additional cost of the increases proposed in this paper is estimated to be some \$30,000 per annum.

V. World Bank Position

The proposals set out in this paper have been developed in close cooperation with the Compensation Department of the World Bank. Identical proposals are being submitted to the Bank's Board of Executive Directors.

