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December 20, 1989

To: Members of the Executive Board  
From: The Secretary  
Subject: Amendment of Rule N-12 of the Fund's Rules and Regulations

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Wednesday, December 27, 1989. In the absence of such a request, the recommendation that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Mr. Goltz (ext. 7387) or Ms. Powers (ext. 7714) is available to answer technical or factual questions relating to this paper.

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INTERNATIONAL MONETARY FUND

Amendment of Rule N-12 of the Fund's Rules and Regulations

Prepared by the Administration Department  
and the Legal Department

Approved by Graeme F. Rea and François Gianviti

December 18, 1989

Rule N-12 of the Rules and Regulations provides as follows:

"The Managing Director shall inform the Executive Board at least two weeks in advance of any action to appoint or dismiss any person at or above the rank of division chief or receiving a salary equal to or exceeding that of a division chief. Such information shall not be necessary for other appointments or dismissals by the Managing Director."

As a result of the Fund's new grade and salary structure approved by the Executive Board, the same salary range is now attributed to two grades (A15 and B1), even though they are not equivalent in rank under the revised institutional structure of Fund positions. As a result, it would be appropriate to explicitly amend the wording of Rule N-12 in accordance with the recommendation set forth below.

1. Rank in the institution as the decisive element for notification to the Executive Board

The requirement of notification to the Executive Board of appointments or dismissals of senior staff members was established by a Rule approved in 1946. 1/ The Rule enumerated a number of senior positions subject to such notification. The wording was simplified in 1959, when the senior positions were described as positions "of or above the rank of division chief." 2/ The intention was to focus the attention of the Executive Board on changes in the higher ranks of the Fund, while

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1/ Then Rule N-13. The numbering was changed to Rule N-12 on June 22, 1979. For the sake of clarity, Rule N-12 is used throughout this paper.

2/ The text of the different versions of the Rule is provided in the Attachment.

respecting the concept of the Managing Director's authority as chief of the staff, subject to the general control of the Executive Board over appointments and dismissals of the entire staff (Article XII, Section 4(b)).

Thus, it has always been the intention to use rank as the indicator for defining the group of positions considered sufficiently important as to warrant notification to the Executive Board. This concept has been maintained in revising Rule N-12.

2. The use of salary as an indicator of rank

The institutional structure of the Fund has always contained a certain number of positions (most of which currently have the title Advisor) considered to be of a rank equal at least to that of a division chief, but without the attribution of that particular title. Since 1946, those positions have been included in the group of senior positions where appointments or dismissals have to be notified to the Board. Throughout the existence of Rule N-12, there has been a need to identify an appropriate indicator for the identification of a rank equal at least to that of a division chief.

This problem has heretofore been resolved by examining the salary attached to a particular position, as an alternative to the title of the position. The present version of Rule N-12 refers to a "salary equal to or exceeding that of a division chief." It has been confirmed to the Board that this term should be construed to mean a salary within a salary range with a minimum equivalent to that of a division chief. The purpose of this reference was "to restore the effective clearance level substantially to that which was applied when the Rule was adopted and insure that the level would remain the same even if changes in the general salary level should occur in the future" (EBAP/59/67 (6/29/59)).

3. The new grade structure as the appropriate indicator of rank

The salary structure approved by the Executive Board on January 30, 1986 attributes the same salary range to two different grades (A15 and B1) in the institutional structure of the Fund. However, only Grade B1 falls within the Fund's managerial positions. The attribution of an identical salary range results from the nature of the revised system for the evaluation of positions introduced in early 1986. The grading exercise highlighted the existence of a certain number of positions below the rank of a division chief, and therefore below the first managerial level, whose requirements and

responsibilities justified the attribution of a salary range equivalent to that of a division chief. 1/

In this respect, it is important to distinguish between salary range, which expresses the valuation of positions, and grade, which indicates the rank of positions in the institution. The salary range of Grade A15 does not provide an indication of rank at least equal to that of a division chief. As the decisive element has always been the rank of or equivalent to a division chief, it is appropriate to replace the reference to salary range in Rule N-12 with a reference to the rank of division chief, which is the threshold managerial position in the institutional structure of the Fund, and thereby explicitly exclude positions in Grade A15 from the notification requirement. 2/ In addition, the possibility of future changes to the salary structure argues against the use of the salary range as an appropriate trigger for the requirement of notification to the Executive Board.

#### 4. Recommendation

It is, therefore, recommended that the Executive Board approve the following new wording of Rule N-12:

"The Managing Director shall inform the Executive Board at least two weeks in advance of any action to appoint or dismiss any person to or from a position graded equal to or above that of a division chief. Such information shall not be necessary for other appointments or dismissals by the Managing Director."

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1/ For further details see page 16 of EBAP/85/284 (11/21/85).

2/ It should be noted, however, that the regrading of a position within the B Grades would not in and of itself require notification to the Board. For example, a promotion of a staff member from Grades B1 to B2, following a reclassification of the staff member's position, without any change in title or organizational designation would not generate a notification to the Board. Likewise, notification would not be required upon the expiration of a fixed-term appointment of a staff member in the B grades, or upon the conversion of such a fixed-term appointment to regular status.

Evolution of Rule N-12

N-13. The Managing Director shall inform the Executive Board at least two weeks in advance of any action to appoint or initiate the dismissal of the Directors and Assistant Directors of departments and offices of the Fund, the heads of divisions within departments and offices, and all persons to be paid \$8,000 or more per year. All other appointments to the staff shall be made by the Managing Director or his designated representative.

Adopted September 25, 1946

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N-13. The Managing Director shall inform the Executive Board at least two weeks in advance of any action to appoint or initiate the dismissal of any person at or above the rank of division chief within a department or office or receiving a salary equal to or more than that of a division which within a department. All other appointments to the staff shall be made by the Managing Director or his designated representative.

Adopted September 25, 1946, amended July 1, 1959

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N-12. The Managing Director shall inform the Executive Board at least two weeks in advance of any action to appoint or dismiss any person at or above the rank of division chief or receiving a salary equal to or exceeding that of a division chief. Such information shall not be necessary for other appointments or dismissals by the Managing Director.

Adopted as N-13, September 25, 1946, amended July 1, 1959, and June 22, 1979

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