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McNamara's: Personnel Management Committee

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Personnel Management Committee Meetings - Minutes 04

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OFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: Members of PMC

**DECLASSIFIED**

DATE: July 3, 1980

FROM: Martijn J.W.M. Paijmans

**SEP 18 2013**

**WBG ARCHIVES**

SUBJECT: Personnel Management Committee Meeting - July 7, 1980

The following topics are suggested for the Agenda of the July 7 meeting at 5.00 p.m.

Compensation Matters

- a) Progress of Compensation Studies (see attachment)
- b) Staff Retirement Plan Study (see attachment)
- c) Interim Salary Adjustment and Change in Review Date (see attachment)

Personnel Management Matter

- a) F/I Staff Development Project

COMPENSATION STUDIES

Schedule as of 6/30/80

	<u>Report</u>	<u>VP</u> <u>Review</u>	<u>Consultations</u> <u>IMF</u> & <u>SA</u>	<u>PMC</u> <u>Consideration</u>	<u>Board</u> <u>Consideration</u>
		<u>Main Review</u>			
Purchasing Power Parity Report	May 16	Aug. 30	Aug. 1-15 <u>1/</u>	Sept. 9	--
Survey data report distribution <u>2/</u>	← ----- Nov.14 ----- →				
Implications of survey data		Nov.14-27	Nov.17-26	Dec. 2	Dec.4 or 5 <u>3/</u>
Range of options		Dec. 3-31	Dec. 8-29	Jan. 6	Jan.8 or 9 <u>3/</u>
Formulation of recommendations		Jan. 8-27	Jan.12-23	Feb. 3	Feb. 26

Other Studies

Social Security	July 3	Aug. 30	July - Aug.	Sept. 9	Oct. 21
Staff Retirement Plan <u>4/</u>					
Compensation Policy Working Group	July-Sept. <u>5/</u>	July-Sept.	-	Sept. 9 Oct. 7	-- --

- 
- 1/ Delay at request of IMF  
2/ Survey progress report attached  
3/ Informal discussion  
4/ See separate paper  
5/ Series of issue papers to be prepared sequentially

Compensation Department  
 RAClarke:ean  
 June 30, 1980



## Notes on Compensation Survey Progress

### J-Q Survey

Job matching visits to comparators going well in US and Germany and will be virtually complete by end July. Preliminary indications are for 15-20 potential job matches per US comparator and 9-10 in Germany.

Job matching visits in France are considerably delayed due to minimal preparation for visits by comparators and their virtually complete absence of documentation (organization charts, position descriptions, etc.). As a result extensive interviews are having to be carried out, frequently involving three visits to comparators. Process likely to run well into August.

Evaluation of comparator jobs will commence August 4 and run for 8-10 weeks depending upon total number of potential matches identified.

Data collection visits in US and Germany should be complete by end August - in France firm schedules not yet available due to problems with job matching visits but likely to commence late July and run through September.

Agreement will be reached during July on outstanding issues of benefits methodology and data analysis.

Until more information is available on the potential job matches to be evaluated and the situation in France clarified, it is impracticable to revise the timetable for the final stages of the survey. We have, therefore, not amended the accompanying bar chart schedule for phases 6 and 7 of the survey. Our feeling, however, is that the final report may be delayed by 3-4 weeks until early or mid December.

### A-I Survey

Job matching visits virtually completed, data collection visits in progress.

Evaluation of comparator jobs (apparently 120 jobs) scheduled for July 7-18.

Analysis of pay and benefits data will begin in late July and should be complete by end August in line with the original timetable.

### Potential Problems

The IMF "Operating staff" assigned to the A-I survey have had considerably more difficulty than their Bank counterparts in coping with the job matching process and appear to have hitherto received little briefing or support from the Administration. As a result, they have felt ill at ease and exposed and might well challenge the validity of the job matching process, although the IMF Administration now appears to be taking steps to rectify the situation.

The Bank project team, on the other hand, are coping well and have expressed satisfaction with the professional manner in which the survey in general, and the job matching in particular, is being conducted.

There are no indications of similar problems in the case of the J-Q survey.

Compensation Department  
RA Clarke:ean  
June 30, 1980

PMC Paper

Staff Retirement Plan Study

Our proposed terms of reference for the study, as agreed by PMD, COM and the Pensions Office and submitted to PMC in March, are attached at Annex I.

1. After three months delay the IMF Administration has countered with completely different terms of reference - attached as Annex II. Although the IMF version has not been considered by their Pension Committee (the body responsible for such matters in the IMF) we are told it "has the support" of the staff representatives on the Committee.

2. The IMF version differs substantially from our own, particularly in that:

- (a) the scope of the joint study would be limited to the issues mandated by the Executive Board in the light of the Kafka recommendations (pension base, accrual rate, initial value of pensions for those retiring overseas and legal obstacles to changes in the Plan). In addition each organization would be free to study other issues of special concern to it (so much for parallelism!)
- (b) the bulk of the studies would be undertaken internally (e.g. by updating an IMF staff report on the "grossing up" formula and devising a scheme for safeguarding the initial value of pensions) on the grounds that IMF staff has particular expertise in these areas.

3. In discussions with the IMF it emerged that their approach is dictated by a variety of concerns, including:

- (a) a belief that the current level of pension plan benefits is appropriate to their needs, coupled with a fear that a comprehensive review, particularly in the context of comparators' practice, could lead to reductions in at least some areas;
- (b) a belief that it is too soon to embark upon another comprehensive review so soon after the last exercise initiated in 1971 leading to the major changes agreed upon in 1974;
- (c) concern for the ~~financial~~ soundness of the IMF Plan, particularly since its underlying actuarial assumptions have not been updated in the light of recent experience;
- (d) the lack of budgetary appropriation and limited manpower resources.



4. We have no doubt that a comprehensive review is called for. A limited largely internal review would be unlikely to satisfy Executive Directors or the staff at large - at least in the Bank. Moreover, the provisions of any pension plan are closely inter-related and a review of one provision automatically leads to another. Finally parallelism can hardly be attempted, let alone achieved, in the absence of a genuinely joint study.

5. In subsequent discussions it seems possible that a compromise might be reached whereby both Institutions would agree to embark upon a comprehensive review broadly as follows:

- (a) agreement on tentative terms of reference by, say, the end of August to be reviewed in the light of the Hay survey results. (Our terms of reference already provide that the study should be undertaken in the context of the total comparator compensation package. The results of the Hay survey will be useful in indicating how our pension plan overall, and in relation to total compensation, compares with those of our comparators. They should thus provide a guide as to whether we could consider changes which would add to the cost or whether we should be looking for some reductions, at least for future service. Even if this compromise is accepted in principle now, we could expect severe problems with the IMF in the event that reductions are called for).
- (b) work would not start on the comprehensive review until after the terms of reference are finalised in the light of the Hay survey. In the meantime, work would be put in hand without delay on the complex and urgent question of the initial value of pensions for those retiring overseas.

6. Quite apart from problems of style and, in some cases substance, with the present IMF version of the terms of reference, before consulting further with the IMF we seek the guidance of PMC as to whether:

- (a) we should continue to insist on a genuinely joint study;
- (b) the study should be comprehensive as envisaged in the Bank's proposed terms of reference;
- (c) a compromise broadly along the lines outlined at paragraph 5 above is in principle acceptable;
- (d) we should disagree with key aspects of the study (grossing up formula and adjustments for the initial value of pensions) being undertaken internally by IMF staff.

7. The Staff Association has suggested quite minor changes to our proposed terms of reference. We have delayed consulting with them until differences with the IMF are resolved.

Compensation Department  
RAClarke:mk

July 1, 1980

BANK

Terms of Reference for Comprehensive Study of the  
Staff Retirement Plans of the IBRD and IMF

A. Objectives of the Study

1. To study whether the present benefits provided by the Staff Retirement Plans and related programs<sup>1/</sup> are, in general, appropriate for meeting the reasonable needs of participants and their dependents, bearing in mind -

- (i) the competitiveness of the total compensation package (i.e. direct pay and value of State and employer provided benefits) of the Bank and IMF in relation to that of the comparator organizations presently being surveyed by Hay Associates;
- (ii) Bank and IMF employment policies.

The study should take into account both internal and external developments (e.g. changes in employment and compensation programs, legislative changes and currency fluctuations) since the last comprehensive review of the Plans in 1974.

2. To ascertain whether the benefits are relatively equitable in providing for different groups of participants and are internally consistent.
3. To put forward any recommendations for changes in benefits and their financing, which, as a consequence, appear to be appropriate.

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<sup>1/</sup> Including group life, medical, worker's compensation and other insurance coverages

B. Direction of Study

1. A Steering Group composed of Messrs. Clarke, Gabriel, Widen and \_\_\_\_\_ (line manager) for the Bank and Messrs \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ for the IMF, together with one representative from each of the two Staff Associations, will direct the conduct of the Study. In particular, the Group will provide general direction to the Working Group and the consultant during the course of the study on issues relating to the scope of the study and the alternatives to be considered in the light of the overall objectives of the Organizations in staffing and compensation matters.

2. A Working Group composed of Messrs. Trott, Michaels and Hamamo for the Bank and Messrs \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ for the IMF, together with one representative from each of the two Staff Associations, will meet periodically with the consultant to discuss each issue set-forth in the terms of reference, and to provide the consultant with such background information and information regarding the objectives, staffing characteristics, and needs of the Organizations as may be relevant.

3. The consultant will meet periodically with the Working Group to discuss in detail the issues set-forth in the terms of reference. After an initial meeting to review all of the issues and to agree on working arrangements, the consultant will thereafter prepare agenda of items to be discussed at subsequent meetings, memoranda of points covered at the meetings and will distribute in advance issue papers to be discussed at meetings. Copies of all such documents shall be furnished to members of both the Working and Steering Groups. When all of the issues have been considered including possible alternatives, the consultant will

prepare his final report reflecting his personal conclusions and recommendations on the various issues.

C. Specific Areas to be Studied

1. The formula for determining Bank/IMF pensionable remuneration from net salary is based on the UN rates for staff assessments which were in effect in 1974, the date of adoption of the formula. The UN staff assessment schedule was designed on the basis of a study of income taxes paid in the seven countries in which the UN family has headquarters organizations: US, UK, France, Italy, Canada, Austria and Switzerland. The formula needs to be re-examined to determine whether the relationships between net and pensionable remuneration at various income levels continue to be appropriate, inter alia, in the light of income taxes on direct pay and on pension income.

2. Examine the problems associated with the provision of pensions to an international staff who may retire to countries with widely differing standards and costs of living, taxation systems (cf. also para. C1) and social security provisions and where the initial and continuing value of pension entitlements, built up during the working career in US\$, may be strongly affected by fluctuations in exchange rates and differing rates of <sup>change</sup> growth in real and nominal incomes.

3. Examine the various alternatives for ensuring that, given Bank and IMF employment practices, the resulting retirement income on average reasonably meets retired participants' needs including:

- (a) review of the present benefit accrual rate in combination with the definition of pensionable remuneration and the period over which it is averaged;

- (b) the possibility for additional pension entitlements through supplementary voluntary contributions;
  - (c) increasing the scope for transfer of pension credits in respect of prior employment with other organizations.
4. Examine the structure of withdrawal benefits to determine whether these are rational and equitable, whether they should be related to the actuarial value of accrued pension entitlement or other structural adjustments should be made.
  5. Examine the present provisions for adjusting pensions after retirement, including the potential limit of 3% p.a. on cost-of-living increases. Consider, inter alia, alternatives such as adjusting pensions in keeping with pay increases for active staff.
  6. Examine normal retirement age and early retirement provisions and what, if any, provisions should be made for early retirement at the option of the organizations, whether within or outside the Staff Retirement Plan.
  7. Examine disability pension provisions, particularly in the case of the recovery of the pensioner in the light of the organizations' policies with respect to reemployment.
  8. Examine the adequacy of survivors' pension provisions and need for providing survivors pensions for spouses married by participants after their retirement.
  9. Examine the position of a divorced spouse vis-a-vis a staff member's accrued pension entitlements.

10. The consultant will specify in detail the financial implications for the Plans of alternative approaches to the above issues which in his opinion and that of the Steering Group, merit serious consideration.

Terms of Reference for a Study of the Staff Retirement Plan  
of the International Monetary Fund

In compliance with the decision of the Executive Board a study is to be undertaken jointly with the Bank of the two institutions' respective Staff Retirement Plans. This joint study is to examine the issues recommended for review by the Joint Committee on Staff Compensation Issues as modified by the Executive Board, together with an examination of ways to maintain the value of pensions in relation to exchange rate changes as requested by the Executive Board.

1. Specific areas to be studied

(a) The Joint Committee had recommended that in determining the *gross pensionable base*, use should be made of either (a) a formula based on the tax codes in a number of countries with grossing-up based on average deductions for the U.S. tax code and comparable methods for other countries, or (b) a system based solely on the U.S. tax code and average deductions.

It should be noted that the present formula in the Staff Retirement Plan for grossing-up net salaries is based on the tax codes of a number of countries as described in (a) above. The present formula comprises the UN rates for staff assessments which were in effect in 1974, the date of adoption of the formula by the Fund and the Bank. The UN staff assessment schedule was designed on the basis of a study of income taxes paid in seven countries (Austria, Canada, France, Italy, Switzerland, United Kingdom, and United States), in which the UN has organization headquarters. The Fund conducted a study in 1977 which compared the grossing-up formula with income tax rates (after average deductions) in several countries in the OECD (Belgium, Canada, France, Germany, United Kingdom and United States). The study showed

that the Fund's grossing-up formula compared reasonably well with the tax system of these countries and consequently no modifications were made at that time. It would be useful for the Fund to update the 1977 study to determine whether the relationships between the grossing-up formula and income taxes at various income levels in these countries continue to be appropriate in light of the possible changes in income tax rates since 1977.

With respect to (b), it should be noted that in the course of the discussion in the Executive Board of the Fund, a number of Executive Directors and the Managing Director stated that a change in the Fund's tax reimbursement system for U.S. nationals to a system employing average deductions should not be regarded as having any implications for the Staff Retirement Plan. In particular, it was stated that an alignment of the Staff Retirement Plan grossing-up factors solely with the U.S. tax code was undesirable and should not take place. Consequently, the joint study should undertake a review of the grossing-up factors along the lines of the 1977 study conducted by the Fund.

(b) The study will examine ways of protecting *acquired pension entitlements* of the staff who may retire to countries where these entitlements may have been strongly affected by fluctuations in exchange rates and inflation rates during the employee's career. This study will also include a review of the current method to protect the post retirement value of real pension entitlements in countries other than the United States.

(c) A review of the present *rate of accrual* of pension entitlements will be conducted in conjunction with any recommended change in the methodology for determining pensionable remuneration including the period over which the Highest Average Remuneration is determined.



(d) Taking into account the issues to be studied above, the joint review should also examine whether the regular rates of contribution of participants and the respective employers would be adequate to fund future costs of the Plan.

*Handwritten signature*

(e) A review of the possible legal obstacles to any changes in the respective Staff Retirement Plans will be made along with a study of possible transitional arrangements.

In addition to the above issues, which will be studied jointly by the Fund and the Bank, each organization may decide to consider for separate review other issues of special concern to it. Each organization may call upon the consultants and actuaries to assist in these studies under separate accounts.

2. Conduct of study

A joint Fund/Bank staff committee composed of Messrs. \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ from the Bank and Messrs. \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ from the Fund together with one representative from each of the two Staff Associations will direct the conduct of the study. The joint staff committee will direct the work of the consultants and will appoint and direct task groups composed of selected staff members with particular technical knowledge in the areas selected for study. The joint staff committee will meet periodically with the consultants and the task groups entrusted with the special assignments (e.g., updating of the national income tax study, maintenance of pension values, etc.).

Studies prepared by the task groups will be made available to the consultants. The joint staff committee will review the studies prepared by the consultants and the task groups. Under its general direction, the consultants will be responsible for the preparation of a report which will

contain their conclusions and recommendations together with actuarially based estimates of the financial implications of any modifications in the respective Staff Retirement Plans. This report will be submitted to the Chairman of the Administration Committee of the Fund and the Chairman of the Pension Benefits Administration Committee of the Bank.

NO

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Staff Compensation: Interim Salary Adjustment  
and Change in Review Date

1. This memorandum proposes for the consideration of the Executive Directors:

- an interim salary adjustment to be effective September 1, 1980 in view of the delay in the completion of the ongoing comprehensive review of staff compensation and the continuing high rate of price inflation in the Washington area;
- a change in the effective date of annual compensation reviews from March 1 to July 1.

2. As Executive Directors will recall, the main objective of the current staff compensation review is to establish appropriate compensation levels as of March 1, 1980. Since it was clear that Board decisions on compensation changes based on the Hay survey, which forms the basis for the review, could not be expected before November or December, on March 13, 1980 the Executive Directors agreed to a general salary adjustment of 8.3% effective March 1, 1980 and to re-examine this interim increase in the light of decisions based on the Hay survey with a view to retroactivity should a larger increase then be warranted (XM80-7/1 of March 25, 1980). The survey has encountered delays, due mainly to the overriding importance attached to its thoroughness and quality by Executive Directors, management and staff alike in order to ensure its acceptance and credibility, compounded by difficulties experienced in establishing job matches with comparator organizations in France. Although in terms of total time the delays are not great for an undertaking of this complexity, their impact is such that the survey results will not be available much before the end of the year so that Board decisions are unlikely to be reached before March 1981, a full year after the effectiveness of the 1980 decision on interim action.

3. In the meantime price inflation is eroding staff incomes at an historically high rate. The Washington Consumer Price Index rose 2.46% <sup>1/</sup> over

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<sup>1/</sup> The national CPI rose over the same period by 3.6%, equivalent to an annualized rate of 15.2%. The Washington CPI movement February-August will be inserted when data available (about August 22).

the three months February-May 1980, equivalent to an annualized rate of 10.21%.

Procedures for Salary Adjustments

Bank

4. The Joint Committee on Staff Compensation Issues recommended that:

*"(i) there should be annual surveys of the compensation levels of the matched jobs in the selected United States private sector and Civil Service comparator organizations and, for support staffs, in the selected United States Government agencies. It would be for the Boards to decide on the basis of proposals by managements, made in accordance with established policies, how any increase should be divided between across-the-board and merit adjustments.*

*(ii) after an initial period of three years, there should be a comprehensive review, when the competitiveness of the selected comparators would be tested nationally and internationally. Job matches would be reexamined, the organizations to be included in the sample reviewed, and there would be a full-scale survey of levels of compensation in the United States private sector and the United States Civil Service measured against comparable positions in several other countries. These comprehensive reviews would continue to be held every three years unless, after the first review, the Boards decided that a longer period between reviews would be justified though the period should never exceed five years."*

*(Joint Committee Report paragraph 10.16)*

5. Whilst generally supporting the Joint Committee's approach, the Executive Directors were concerned at the implications of the continuing erosion of the premium historically enjoyed by US pay levels and the changing attitudes of the US Government towards the pay of its civil service. They, therefore, agreed that:

*"(i) there should be a comprehensive review of staff compensation every third year and in the intervening years pay should, in normal circumstances, be adjusted in the light of movements in the pay levels of comparator organizations in the chosen markets;*

*(ii) in abnormal situations as at present, pay adjustments in the intervening years should also take account of pay movements in real terms among comparator organizations in other countries and, in the case of the US market, should*

*not be subject to sharp deviations from market forces as a result of changing US Government attitudes towards the pay of its civil service."*

6. The general practice of other organizations as regards salary adjustments (except those related exclusively to merit) is summarized at Annex 1.

Proposals for Further Interim Adjustment

7. The fact that the March 1 adjustment was not "final," the unavoidable delay in the finalization of the 1980 adjustment and the continuing high rate of price inflation in the Washington area, all point to the need for a further interim salary adjustment. This is reinforced by the practices of other organizations - pay increases of both French and German comparators provide for real income growth (and in France, where the inflation rate is comparable to that in the US, are made quarterly), in the UN are triggered automatically whenever price levels rise by 5% and in both OECD and EC are granted twice a year. We, therefore, propose an interim salary adjustment for all staff effective September 1, 1980, midway in our present review year, of 4% <sup>1/</sup>, equivalent to 80% of the price level rise since February 1980 as measured by the Washington CPI.

8. Board decisions early next year in the light of the Hay survey will establish appropriate compensation levels as of March 1, 1980 and thus may result, for some staff at least, in further salary adjustments retroactive to that date. In order to avoid the complications which would otherwise arise should any such retroactive adjustments be found warranted, and since the interim adjustment we now recommend is based on developments since that date - and as such is in effect an advance on account of the normal spring 1981 salary adjustment - we recommend that

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1/ Subject to change in the light of the six month CPI movements.

it be given in the form of an interim salary supplement outside the salary structure. As in the case of the November 1973 interim adjustment when the same approach was taken, such an interim supplement based on salaries as of September 1 would lapse on the effective date of the spring 1981 adjustment. The supplement would be pensionable and applied to the calculation of overtime pay, shift differentials, contributions and benefits under the Staff Retirement and insurance plans. The salary ranges would not be changed and January 1981 merit increases would be granted on the basis of present salaries and salary ranges.

9. It may well be argued that to grant such an interim increase at this time would serve to exacerbate the problem if decisions taken in the light of the Hay survey show present compensation levels (i.e. as of March 1, 1980) to be too high for some or all staff. This argument would be valid only if it were intended in such an event to freeze or abruptly reduce salaries. Such a course would be in keeping neither with the general practice in such circumstances nor with the Bank's reputation as a fair employer. Rather we would intend that:

- (a) new staff should be paid at the appropriate market related salaries from the outset;
- (b) for existing staff the necessary adjustment should be phased over a period of years by granting lesser general salary adjustments than would otherwise be appropriate until the desired relationship with the market is attained.

It is obviously impossible to be precise at this stage since the details must depend upon the extent of overpayment, if any. However, we think it most unlikely

that we would propose a future general salary adjustment of less than half that which might otherwise be appropriate. Even if adjustments in the years between major reviews are in future confined to pay movements of US comparators, particularly given the commitments recently made by leaders of both political parties for major tax cuts in 1981, it seems improbable that the spring 1981 review would result in the normal course in a general adjustment of less than 8% in net terms whereas we are presently proposing a 4% interim adjustment.

Change in Review Date

10. Over recent years the March timing for annual adjustments is increasingly creating complications which we believe need to be addressed. The current timing of the ongoing review adds to these complications. We, therefore, also propose a change in the effective date of the annual compensation review from March 1 to July 1, starting with the spring 1981 review, since:

- (a) the March 1 date was adopted in 1974 to coincide with the twelve month period February-February over which cost of living movements were measured to provide the main basis for general salary adjustments.

The Washington CPI is no longer published for February so that a March 1 date would lose its rationale even if price inflation were to continue to be a factor in the determination of pay adjustments;

- (b) if comparator pay movements are to form the basis for any pay adjustments in the years between major review, March 1 is also inconvenient. Comparator salary increases take place at different times:

US - the majority effective January 1 usually determined in advance;

- France - generally quarterly on the basis of COL change with a final real income adjustment retroactive to January 1 - the precise amount can only be determined later when COL indices are available;
- Germany - almost universally retroactive to January 1 although decisions are rarely taken before end March or later.

Thus, with the possible exception of US comparators, it is impossible to obtain up to date information on comparator pay movements to enable decisions on pay adjustments in the Bank to be made effective March 1 without involving substantial retroactivity. Even in the case of US comparators, experience shows that they would prefer data collection visits to take place later than February since prior to that time they are preoccupied with end year accounts and governmental reports. Moreover, in the present era of currency instability it would in any event be undesirable to rely solely on US comparators even if they continue to form the main market. A July 1 review date would permit data to be collected from all comparators in April/May for Board decision in June, thereby avoiding the need for retroactivity;

- (c) a change or review date could have symbolic importance as signifying the introduction of a ~~(hopefully)~~ generally accepted and firmly based program of staff compensation;
- (d) July 1 coincides with the start of the Bank's fiscal year - although not that of the IMF - May 1;
- (e) there are distinct advantages in greater separation in time between merit increases (January) and a general salary adjustment;



- (f) July 1 follows the annual round of merit increases in both the Bank and IMF (May 1). The fact that March 1 falls after the Bank but before the IMF merit increases has caused problems of coordination in the past.

Although we believe such a change desirable as a permanent feature, its introduction for the regular spring 1981 review would have the added advantage of allowing sufficient time after the decisions on the Hay survey to collect up to date data from all comparators or to adjust to a different approach to compensation review in the years between major surveys if that were decided upon. If our recommendation is accepted there would be sixteen months between the effective dates of the 1980 and 1981 adjustments which we would propose to accommodate by prorating the amount of the adjustment which would otherwise be appropriate on March 1, 1981.

Summary of Recommendations

11. Accordingly we recommend that the Executive Directors approve:
- (a) an interim general salary adjustment of 4% for all Headquarters staff effective September 1, 1980 to be given in the form of an interim salary supplement which will lapse on the effective date of the adjustment resulting from the normal spring 1981 compensation review;
  - (b) a change in the regular annual compensation review date from March 1 to July 1 commencing with the spring 1981 review.<sup>1/</sup>

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<sup>1/</sup> For PMC only - we have advised IMF that we are giving consideration to a change in review date but have not gone into details.

ANNEX I

General Salary Adjustment Practices  
(other than increases related solely to merit)

<u>Organization</u>	<u>Basis for Adjustment</u>	<u>Frequency of Increases to Staff</u>
US private sector comparators	1. Competitiveness in relation to other leading employers 2. Economic factors, including ability to pay	Once a year on individual performance basis
US Civil Service	Comparability with generality of US private sector (may be distorted by weighting in favor of lower paid or incomes policy considerations)	Once a year
French public & private sector comparators	Real income growth target agreed in advance (at senior levels comparability may be taken into account and considerations of income distribution or general incomes policy apply)	Usually Quarterly with adjustments in final quarter if necessary to attain target. Semi-annually in some private comparators
German public & private comparators	Industry by industry negotiations Emphasis on productivity and ability to pay (for past several years has resulted in significant real income gains)	Once a year (retroactively to January 1)
UN: Professional staff	Price level change	Automatic whenever price levels increase by 5% and remain at or above 5% for four months % increase equivalent to 80% of price level change
UN New York: Support staff	1. Survey of leading local employers 2. Price level change (introduced February 1980)	1. Annual 2. Automatic and immediate whenever price levels rise by 5%. % increase equal to 90% of price level change
OECD	1. Weighted average movements in real terms in selected member country civil services (no comparison of pay levels) 2. Price level change	1. July 1 adjustment in line with civil service real pay movements 2. January 1 full six-month COL offset
EC	Similar to OECD except different member country civil services (excludes Canada, USA)	As for OECD

54 ROUTING SLIP

DATE:

July 3, 1980

NAME

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APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

CLEARANCE

PER OUR CONVERSATION

COMMENT

PER YOUR REQUEST

FOR ACTION

PREPARE REPLY

INFORMATION

RECOMMENDATION

INITIAL

SIGNATURE

NOTE AND FILE

URGENT

## REMARKS:

Please find enclosed a memorandum concerning the item:

"F/I Staff Development Project"

FROM:

ROOM NO.:

EXTEN

Martijn J.W.M. Paljman

MEMORANDUM TO PMCF/I STAFF DEVELOPMENT REPORT

DECLASSIFIED

SEP 18 2013

WBG ARCHIVES

1. We have, for some time, been involved in the F/I staff development project. This project covers 616 staff members or 11.1% of the total staff on board. It has now reached a critical point where a number of decisions on the scope of the project as well as deployment of resources need to be made. The purpose of this memo is to inform the PMC of the course that we have adopted, to alert the members of the PMC to the issues we are likely to confront and to elicit any views that the PMC members have on how we plan to proceed. The course of action presented is based on the Bank's continuing need for the types of skills of the F/I staff which includes all assistant-level staff (e.g. Research Assistants, Personal Assistants, Operations Assistants, etc.), with the exception of Staff Assistants, whose duties include some secretarial tasks.

I. BACKGROUND

2. As the PMC may recall, in 1974 the issue of career paths for specific groups of staff, including J-Q staff in support departments, secretarial/clerical staff and staff at levels F/I was a subject of attention and task forces were established. The report of the task force on F/I stated that the Bank could not provide career development opportunities for assistant-level staff in more specialized positions normally filled through outside recruitment. The report recommended that these staff should be employed on a fixed-term basis. This recommendation was not accepted by the Bank and following discussions with managers and the Staff Association it was decided that a Joint (Staff Association-PMC) F/I Staff Working Group be established to conduct a study of assistant level positions, career growth opportunities and obstacles and make recommendations to the Personnel Department. Formation of this Working Group was announced in November 1976 to all staff.

3. The Group, comprising four members from Personnel and four Staff Association appointees working mainly on their own time, began its work in February 1977. They set themselves the task of studying the Bank's needs for F/I staff and, in light of these needs, determining whether assistant-level career development opportunities were unduly constrained. In early 1978, the Working Group collected detailed position descriptions from F/I staff. With the help of an external consultant, these descriptions were analyzed and occupational categories were identified. During the remainder of that year, a preliminary ranking in order of complexity was carried out. Studies of constraints on F/I staff development were also undertaken, and alternatives to present policy were formulated. Progress in this study was halting and intermittent, however, with attendant consequences on the morale of F/I staff.

4. In mid-1979, the effort was resumed in earnest and the resources devoted to this study were increased by the addition of a second external consultant. He and his colleague interviewed a broad sample of over 100 F/I and other staff to confirm and augment the written position descriptions, to develop standards for a defensible regrading of F/I staff, and to supervise this regrading.

## II. CURRENT STATUS

5. Building upon the Joint Working Group's activities, a grading team comprising representatives from COM (1), PMD (2), the Staff Association (3), and an external consultant has been working full-time on grading matters since February 1980. Additionally, two PMD staff have prepared proposals on other policy issues related to the F/I situation (paragraph 10).

6. The objective of all these efforts was to arrive at a coherent system, before the end of FY80, which would put each of the F/I positions into a proper salary grade related to the complexity and responsibility of each job. In addition, the project was to determine whether specific assistant-level positions warranted career development opportunities, an aspect to which F/I staff have consistently attached particular importance. Not all of the foregoing objectives have been accomplished. In fact, despite the full-time work by the grading team, further complexities and needs for consultation have emerged; these have added to the time needed to complete the work.

7. So far, a classification system for F/I positions has been developed. All F/I positions have been classified into five levels of relative difficulty, not linked to the current Bank grade structure. This is an interim step in the process of grading them into the Bank pay structure. At this time we cannot be sure what the outcome will be, namely when and where these positions fit into our present grade structure. However, of the 616 F/I staff, some 60% seem likely to remain at their present relative level in the Bank, while a small number, say 20, seem likely to qualify for a relative ranking higher in the salary category than the current highest support staff grade of "I". A larger number seem likely to be ranked relatively lower than they currently are.

8. Aside from being properly anchored into our grade structure, the major concern of the F/I staff, and of the Staff Association in relation to its F/I members, is the development of career paths. We regard this as an essential element of the remaining tasks. In fact, to terminate the project now without developing career paths would in all likelihood precipitate a great amount of unrest amongst F/I staff and lead to unproductive consumption of staff time including that of PMD.

9. To complete the remaining tasks a work program has been prepared. The program's main elements and the time schedule for its completion are outlined briefly in the Appendix. According to the schedule, we expect to be able to communicate new grades, career paths and revised policies to the F/I staff in April 1981. We believe we can contain further aggravation to the present F/I morale problem if the project is completed before the end of FY81 and if decisions on other policy matters, related to the F/I problem (international vs. local recruitment, tenure and retroactivity) are taken within the very near future. (See paragraph 10 below.)

10. While the effort needed for grading and establishing paths for F/I staff determined the overall calendar of the work program, the other policy issues referred to in paragraph 9 can be handled in parallel and we would hope can be brought to definitive proposals at the end of summer 1980. Our current bias as to the question of whether F/I staff ought to be recruited locally or internationally is in favor of maintaining the current system for local recruitment. As to tenure, considering that a substantial number of F/I staff

are on fixed-term appointments, our basic posture of aiming at the Bank having a career staff is of great weight but it is premature at this stage to be precise on the outcome of the analysis. (Associated with the latter issue are questions of possible safeguards for incumbents as to both grade and tenure.)

III. CONCLUSIONS

11. We feel that commitments already made and the length of the study to date compel us to fulfill the project in the manner outlined in the Appendix. We have already acquainted the Executive Committee of the Staff Association with the essence of the program. They realize that this is the way to proceed. We now propose to advise F/I staff and their supervisors of our plans.

Personnel Management Department  
July 3, 1980

F/I STAFF DEVELOPMENT PROJECT:  
PRELIMINARY WORK PROGRAM TO COMPLETION

No.	TASKS	SCHEDULED PERIODS
1.	Consultations with Staff Association and communications with F/I staff <u>Completed</u>	June 1980/June 1981
2.	Completion of grading F/I positions <u>Completed</u>	June 1980
3.	Completion of 'Anchoring' Grading Team's five levels to the Bank's present grading system of A-Q	June/July 1980
4.	Review of Grading Team's output for consistency	June/July 1980
5.	Briefing of senior-level decision-takers on project	July 1980/ January 1981
6.	Completion of policy formulation on F/I related matters	July/ September 1980
7.	Education/training of POs/PAs on F/I matters	July/ September 1980
8.	Development of career paths for F/I positions (e.g., D/E/F)	July/ November 1980
9.	Formulation of Administrative Auditing arrangements and design of suitable appeals procedures for F/I grading matters	September/ November 1980
10.	Preparation of reports on F/I Project by COM, PMD and PAB	Prior to February 1981
11.	Macro-level review and decision taking on grading and 'career pathing' recommendations	November 1980/ January 1981
12.	Consultations with managers of F/I staff on output of decision-taking on grading, 'career pathing' and policy matters	February/March 1981
13.	Presentations to management and staff on Grading Team's methodology	January/ February 1981
14.	Announcement of decisions on grading and career paths to each F/I staff member	April 1981
15.	Processing of F/I staff responses to decisions	April/June 1981

STRICTLY CONFIDENTIAL

Record of Sixteenth Meeting of  
PERSONNEL MANAGEMENT COMMITTEE

1. Mr. McNamara convened a meeting on July 7, 1980. Present were:

Messrs. Stern  
Paijmans  
Cargill  
Qureshi  
Pollan  
Koch-Weser

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Mr. Chaufournier was unable to attend.

Compensation Matters

2. a) Progress of Compensation Studies: McNamara remarked that progress was behind, with no likelihood of catching up the delay. He hoped that the PMC would be able to meet and consider all output at very early stages and that it should to that effect receive the various documents (such as onpurchasing power parity, survey data, implications, options and recommendations) before consultation with IMF and the Staff Association would start. McNamara also expressed concern about the seemingly short periods allowed the PMC for consideration following these consultations, One particularly worrisome aspect is the likelihood that A-I Bank staff is likely to be shown to have a higher remuneration than the outside market and this needs very careful consideration.

3. Emphasis was also laid on the need to complete as early as possible the purchasing power parity report and to bring it to the PMC. There were some conceptual differences between the IMF and the Bank, the former leaning towards enshrining the need to address differentials "forever", while the Bank preferred to give growing weight to expatriate staff getting used to living in Washington after long tenure and thus suffering less from the sting of purchasing power differentials.

4. In conclusion, McNamara emphasised that any consultation with others on items arising under the Compensation Studies should not affect the PMC's freedom of taking decisions it considers appropriate.

5. b) Staff Retirement Plan Study: Every effort ought to be made to reach identity of views with the IMF. But if this were not possible then the Bank may have to go a separate course. There should be no compromises on the depth and coverage of the study, and the Board may have to be alerted in case there was a tendency towards divergency with the IMF. The Bank should not accept, as apparently intended, IMF staff input as the sole raw material basis for the study - there was a need for appropriate and objective professional judgment (e.g. of actuaries) likely exceeding the capabilities of IMF staff.

6. McNamara decided that we would insist on a comprehensive study on which (i) appropriate professional judgment was brought to bear, (ii) that it should be handled jointly with the IMF, if possible, and (iii) that it should eventually be presented to the Board Compensation Committee.



7. c) Interim Salary Adjustment: McNamara asked that the question of a new date for the annual salary adjustment review be kept separate from the proposal per se for an interim salary adjustment. The justification for such an adjustment was the faster than expected increase in the Washington Consumer Price Index, which had nothing to do with delays encountered in the Hay survey.

8. There ought to be a redraft of the paper taking the foregoing into account - in fact, it could be much shorter than the present draft - to be presented to the PMC and for subsequent discussion in the Board Compensation Committee. Formal contacts with the IMF should occur only thereafter, though prior informal contacts will, of course, be necessary.

9. There was some discussion about an apparent, possibly only semantic, difference with the IMF of whether the salary adjustment would be permanent or temporary - the IMF leaning to the former and the Bank to the latter. It was concluded that this was not really worthwhile pursuing: everybody on the staff would get the appropriate amount of the adjustment but there would be no modification of current salary categories until the Hay survey results, when analysed, justified such a move.

#### Personnel Management Matters

10. a) F/I Staff Development Project: The PMC took note of the PMD paper dated July 3. McNamara indicated that, while the calender proposed in the PMD paper was appropriate, there must not be (i) a point of "no return" in the discussions with the Staff Association or interested F/I staff which would constrain the PMC, and (ii) an automatic cross-over in the eventual system from the F/I stream into the Bank's professional ranks.

July 24, 1980

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Brandt Commission's Recommendation Concerning the  
Representation of Developing Country Nationals in  
the World Bank's Management Structure

Recommendation: "Lending through international financial institutions should be improved through . . . 7. Giving borrowing countries a greater role in decision making and management."<sup>1/</sup>

Introduction

1. The Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt makes a reference to the issue of greater power sharing with the developing world in decision making within monetary and financial institutions. "A special responsibility falls on the World Bank....In order to represent more fully the interests of its clients, we are convinced that it should widen representation of Third World countries in its management."<sup>2/</sup>....Adequate representation of developing countries in the staff and management, consistent with objective standards of quality in recruitment, will be an important step in building confidence."<sup>3/</sup>

2. This paper describes our fundamental agreement with this recommendation of the Brandt Commission and explains our own reasons for wanting to increase the number of developing country nationals on the staff and consequently in management positions in the Bank. The paper examines the early history of developing country staff representation in the Bank, tracing the growth of their representation at the managerial level in recent years. Finally, the

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<sup>1/</sup> Willy Brandt and others, North-South: A Program for Survival, London: Pan Books, 1980, p. 291.

<sup>2/</sup> Ibid, p. 275.

<sup>3/</sup> Ibid, p. 249.

paper outlines the programs we are introducing to ensure a systematic and sensitive identification of relevant managerial potential from amongst Bank staff which, given the rising proportion of developing country nationals on the staff, should also lead to their appointment to positions of managerial responsibility.

The Need for Stronger Developing Country Representation in the Management of the Bank

3. The Brandt Commission has emphasized the importance of strengthening the role of developing countries in the management in order to share power in decision making on major financial and developmental issues, to represent the interests of the Bank's clients more fully, and to build the confidence of the Third World in our institution. The Bank believes that it is critically important to its international development role to continue to improve its relationship with the developing nations and to share with them decision making on major issues. This has been a major priority of the Bank in recent years, and we believe we have made progress in this direction although there is more to be done. Therefore, we fully endorse this recommendation of the Brandt Commission.

4. From our own perspective, we have realized for many years the importance of increasing the number of developing country nationals not only in the Bank's management structure but also among the professional staff as a whole; and progress has been made in meeting this goal over the last decade (as will be described below in paragraphs 13-14). Today our reasons are even more compelling than they were in the past and arise directly from the way in which the Bank's role has been developing and will develop in the future and the increasing diversification of our operations.

5. One of these developments is the shift from "infrastructure" lending to sectors where social structures and cultural factors are more important to success, for example, rural development, health, education, and rural water supply. Although rigorous technical and economic analyses play an all important role in preparing operations in these sectors, they have to be tempered by a basic sensitivity to and understanding of the social structure, aspirations, and cultural values of a developing country; and such assets have become as important as technical and economic skills. Therefore, we have an urgent need to bring into managerial and professional staff individuals who can apply and adapt their developing country experience and sensitivity to the Bank's operations.

6. Related to the above is the increasing importance of country and sector economic policy initiatives aimed at improving the development impact of projects but which, at the same time, may have sweeping social effects.

Here again the perspective, awareness, and orientation of staff and managers from developing countries will be imperative in assessing and bringing about the desired consequences of such initiatives.

7. Furthermore, the past distinction between developed nations as the donors of aid and developing nations as the receivers of aid is becoming blurred in some instances, with the growth of wealth within some developing countries. Such countries are already (or have the potential to become) capital contributors in their own right, while at the same time continuing with their own internal development programs. It is important that their unique perspective is represented in the Bank and taken into account in its decision-making processes at the management level if the Bank is to operate realistically within the increasingly complex world of international relations and development.

8. In summary, therefore, the traditional mix of technical/managerial skills, which will continue to be essential to the Bank and its membership, needs to be widened. Both at the managerial level and within the professional staff as a whole, the aim of the Bank is to enrich its insight and understanding by drawing on the experience which developing country nationals offer. The Bank has entered a time of great diversification of its operations. Just as advanced technical skills have helped the Bank maintain its high standards and expertise, so developing country expertise will help the Bank maintain its relevance and credibility in a dynamic world where priorities are shifting and new development strategies are emerging.

#### The History of Developing Country Representation at the Managerial and Professional Levels

9. Early in the Bank's 34 year life, there was little explicit recognition of the need for, or any consolidated effort made to ensure a significant representation of nationals from developing countries, either in the Bank as a whole or at management levels. The Articles of Agreement (V.5d) set out two staffing requirements: the need to ensure that the selection of staff is based on the highest standards of efficiency and technical competence; in addition, there was also the need to ensure a wide geographical distribution of staff. The second requirement was for some time given relatively little emphasis because of the circumstances of the period. In the same way as capital finance in the early Post World War II era was available in very few places (primarily the United States), so the major accessible source of skilled manpower existed mainly in the United States, the United Kingdom, and a few other developed countries. In the war-torn nations, the task of reconstruction absorbed the available talent. In developing countries, the available skills were scarce and in great demand. So for its first fifteen to twenty years, the Bank drew largely upon a few leading industrialized nations for its supply of money and talent until the growing prosperity in other countries produced a new flow of resources. At the same time,

there emerged in the international community an active interest in exercising more influence over the growth of international development finance.

10. The first reasonably sizable recruitment of developing country nationals into professional positions in the Bank began in the early Sixties. The largest of these groups came from the Indian Subcontinent where education, training, and English language proficiency enabled individuals to fit more readily the Bank's mode of operation. By 1968, the Indian Subcontinental group<sup>1/</sup> constituted one-third of the developing country nationals on the professional staff of the Bank. The only other developing country group of any size was the staff from Latin America. In total, the professional developing country staff amounted to 20 percent in 1968.

11. In the following period, there was a rapid increase and diversification of the Bank's lending activities, and this coincided with a greater understanding of the need to strengthen the participation of the receiving nations in the World Bank's task of financing development on an international scale. In this climate, the first sustained attention was given to increase the number of less developed country nationals in the Bank's professional and managerial staff. Already by 1972, the number of professional staff from developing countries had grown almost threefold from the number in 1968. This trend has continued since. Overall, the representation at professional levels of staff from developing countries has increased from 20 percent in 1968 to 33.7 percent today.

12. The Bank's staff have the complex function to advise member countries in the crucial field of their development policy, and work on projects which have significant impact on the economic, social, and financial well-being of those countries. In the interests of its own membership, the Bank has never compromised on the qualification of its staff, and it has been the Bank's foremost concern to recruit very high-quality professionals with substantial experience. On entering the Bank as a professional, the individual would benefit from the experience of working in the Bank environment on a series of assignments. If successful and convincingly demonstrating the ability to manage others, the person will, after a period of years, have risen to a position of management responsibility. Given the time required to develop this management capability within the Bank, in the late Sixties some of the professionals from developing countries began to take their place in management alongside their colleagues from developed countries. By the early Seventies, an increasing number of developing country professionals

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<sup>1/</sup> This group consists of India, Pakistan, and Bangladesh.

began to benefit from this development resulting in an increase in the number promoted to managerial positions.

13. Over the last five years, the proportion of developing country nationals at the managerial and higher professional levels (division chief level and above) has increased from 19.2 percent in 1976 to 25 percent in 1980. This growth has been particularly evident and important in the Operations Departments where decisions are made on lending and where developmental sensitivity and experience is especially important to the Bank. (Of the 47 additional senior positions in Operations since 1976, 23 were filled by staff from developing countries.)

14. The number of positions at the most senior level of the Bank's management (director level and above) increased from 81 in 1976 to 88 in 1980; and during that time, the number of senior managers in this category from developing countries increased from 16 to 21, almost entirely concentrated within the Operations Complex of the Bank. This represents 24 percent of the total number occupying these senior management levels.

#### How Managers are Appointed

15. As indicated above, managers in the Bank (with a few exceptions) develop through the professional ranks. The Bank is justified in claiming that it is unique among international financial or developmental organizations because of its size (about 5,500 total staff), the diversity of the professional and, in particular, technical skills needed to accomplish its development role, and the vast representation of almost one hundred different nationalities among its staff. In addition, the Bank is an institution which has to offer its professional staff a career in order to attract and retain the required high quality and motivated talent capable of producing its primarily technical output. Therefore, the larger majority of the managers in the Bank have been developed from within. Over the last 5 years, 229 managerial and senior vacancies have been filled from within the organization by promotion, in contrast to only 28 recruited into managerial ranks directly from the outside to provide special skills not readily available within the institution.

16. The individuals who reach managerial positions in the way discussed enter the Bank in one of two streams. The larger stream consists of highly-qualified professionals recruited in mid career with extensive pre-Bank experience in their field of expertise. The second much smaller group is young staff with high academic training but limited work experience, recruited through a very competitive Young Professional Program. Professional staff in both of these streams are very carefully selected for their personal qualities, integrity, intelligence, and versatility. For an individual to emerge from either stream as a manager, such a person must not only possess these characteristics but, in a very testing environment, show the ability to lead and manage through a range of visible achievements, both in terms of professional skills and the display of managerial qualities.

17. Over time, therefore, there has grown up within the Bank a generally accepted and successful way of identifying managerial potential, based on the competence and achievement of the individual working in a demanding professional/technical environment. The staff who have achieved managerial promotions have done so because they have been able to demonstrate the qualities which the organization has come to recognize as indicative of management talent. However, with the growth in the size of the institution, the increasing diversification of the Bank's activities and the evolution of its role described above, there is a recognized need for the Bank to widen the basis for assessing managerial effectiveness and potential to give more weight to the special sensitivities and insight which developing country nationals can bring to the managerial process.

### The Future

18. It takes somewhere between 5 and 7 years for an experienced professional, from the date of joining the Bank, to develop to the level where the person may be ready for consideration to an appointment at the first level of management. Twelve years ago, the higher level staff from developing countries represented 20 percent of the total. Today developing country nationals occupy 25 percent of all managerial and senior positions and 24 percent of the top management positions. This is a respectable achievement. It is recognized that the total number of developing country nationals at all senior levels as well as junior management levels could be better. However, the trend has been set to increase this essential participation, and the Bank is moving steadily in the direction of fulfilling this goal. The comments of the Brandt Commission have come at an opportune time to help sharpen our perspective and underline our commitment.

19. Meeting the goal of increasing developing country representation in management is a long-range and demanding task for the Bank. Management responsibility in the Bank is highly taxing and requires individuals not only with advanced professional and personal skills but also a lengthy period of experience within the Bank. It takes time to achieve results, and the institution has no direct influence over the availability of future managerial candidates in the outside world.

20. At the more junior level of management, the key to progress in placing more developing country nationals is the increased recruitment of these nationals at the professional level. Plans have already been established to achieve this goal in an even more concerted fashion than was demonstrated over the recent past. Once on board, they will benefit from the increased attention the Bank has recently been giving to the management and development of its human resources; and those with potential will succeed in securing managerial promotions.

21. At the more senior levels of management, there may from time to time be specific positions where it will be desirable and appropriate to recruit highly-qualified individuals from outside, particularly from developing countries. We are especially alert to detect individuals in developing

countries with a particular skill or expertise which the organization urgently or specially needs and who are willing to consider international service in the Bank. This will also present specific recruitment opportunities. However, the bulk of senior positions essentially demand extensive experience of the Bank's operations and will, therefore, continue to be filled from within with the help of more systematic and comprehensive methods for identifying, developing, and utilizing managerial talent among the staff. Developing country nationals will benefit from this process.

#### Summary

22. The Bank agrees with the proposals of the Brandt Commission to increase the participation of developing country nationals within the Bank's decision making and management. There are important reasons related to the development and diversification of the Bank's role for increasing this participation. This realization has existed for some time, and the Bank has already made progress towards achieving this goal but recognizes the need in the coming years to do more. The task is both complex and long term because of the special nature of managerial responsibility in the Bank and the time it takes to develop managers from within. Nevertheless, the Bank considers this goal of the highest priority and plans to achieve progress through a combination of strategies--increasing the number of developing country nationals recruited at the professional level so that, as a result of experience within the Bank, an increased number will secure managerial appointments; an improved monitoring of the progress and potential of existing managers to find individuals suited to senior managerial responsibility, which will benefit developing country nationals along with other management staff; and there will also be the occasional recruitment, for special specific functions at a senior level, of developing country individuals who can offer the Bank unique skills or expertise.



## OFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: Members of Personnel Management Committee

DATE: July 25, 1980

FROM: Martijn J.W.M. Paijmans

**DECLASSIFIED****SEP 18 2013****WBG ARCHIVES**SUBJECT: Senior Position Planning for FY81

1. I am enclosing a memo prepared for my signature setting forth the recommendations of the Senior Position Review Group composed of the Directors of COM, OPD, PAB and PMD. The paper is to be considered by the PMC at a meeting during the week commencing July 28. Mr. Pollan will arrange the specific time and date.

2. I concur with the recommendations of the Group, except for two, namely:

CPS Upgrade UNDP Project Manager,  
TWT (level M to N) Page 6 Item (c)

CPS Upgrade Education Advisor,  
EDC (level M to N) Page 10 Item (e)

3. Mr. Pollan is familiar with my reservations and will acquaint the PMC of them.

Encl.



# Record Removal Notice

<b>File Title</b> Personnel Management Committee Meetings - Minutes 04 President's papers - Robert S. McNamara		<b>Barcode No.</b>  1770858		
<b>Document Date</b> Jul 25, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> Martijn J.W.M. Pajmans to Robert S. McNamara				
<b>Subject / Title</b> FY81 Senior Position Planning Review				
<b>Exception No(s).</b> <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
<b>Reason for Removal</b> Personal Information				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"> <tr> <td>Withdrawn by Chandra Kumar</td> <td>Date Sep 20, 2013</td> </tr> </table>	Withdrawn by Chandra Kumar	Date Sep 20, 2013
Withdrawn by Chandra Kumar	Date Sep 20, 2013			

## OFFICE MEMORANDUM

TO Vice Presidents

FROM: Martijn J.W.M. Paijmans, Vice President, AOP

SUBJECT: Senior Position Planning for FY81

DATE February 21, 1980

1. The purpose of this memorandum is to initiate the FY81 Senior Position Review. Since last year's Review, we have evaluated the previous system and concluded that basic changes in the conceptual framework and administrative procedures for Senior Position Planning are necessary. Some of these changes are being introduced this year as explained below. Others will be implemented after further study, elaboration, and consultation, and in coordination with related developments in personnel management--such as the development of a management succession planning system.

2. Our objectives in modifying the Senior Position Planning system are to:

- a) Ensure position decisions reflect organizational needs and are not inordinately influenced by the interest of units in specific individuals or by the personal interests of incumbents or prospective employees;
- b) Relate Senior Position Planning more closely to the Bank's longer term business planning and organizational development, and coordinate this planning with management succession planning and personnel administration of staff in senior positions; and
- c) Increase the rationality and efficiency of these activities.

3. Beginning in FY81, Senior Positions will be split into two groups which will be administered differently--managerial positions (levels M-Q) and senior staff specialist positions (levels N-P). Managerial positions include Vice Presidents, Department Directors, Deputy and Assistant Directors, Division Chiefs, and M level staff whose jobs include substantial managerial responsibility.<sup>1/</sup> Chief Economists, N level Senior Economists, and Program Coordinators are also considered to be in the "manager" category for the purpose of Senior Position Planning. Senior Staff Specialists include Advisors, Special Assistants,

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<sup>1/</sup> For the purposes of the FY81 Review, these include all positions presently identified as "M-Managerial" in the attached Senior Position Schedules.

etc., who do not fall under the definition of a manager, and whose positions have been graded at level N or higher.<sup>1/</sup>

4. The basis for this distinction is that:
- i) The managerial grade profile is a function of the Bank's organization structure and rules relating the growth in managerial positions to growth in staff, taking into account span of supervision and judgments made by the departments responsible for reviewing requests for new positions regarding the complexity/sensitivity of the work supervised (see paragraph 5 below); and
  - ii) Senior staff specialist positions, on the other hand, are created because the Bank needs advice and technical expertise and skills (likely to vary in nature over the years). The number and variety of specialist positions is a function of the Bank's business plan and the advice and skills the Bank needs in discrete areas.

The grade profile of managers will be carefully monitored to conform with existing organizational policies (see paragraph 5 below). The number of senior staff specialists, however, is not of particular interest in itself. What is of interest is whether these positions are fully justified when they are proposed to be created, and continue to be justified over the years, in light of changes in the Bank's needs, business perspectives and programs.

5. For managerial positions, the rules we have used in the past for creating new units in Projects departments will be reviewed during the year ahead by OPD, and similar rules will be established for other major functional groups 2/ including the specialized (non-operating) departments. The OPD

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1/ Staff specialists in restricted M level positions are also shown in the attached Senior Position Schedules. Although in the future these may no longer be considered as part of the Senior Position Planning system and may be administered separately, this year we will review requests to add or reclassify restricted M level positions under the same procedures for N and above senior staff specialists. Restricted M level staff specialist positions fall into two types: Category I specialist positions are limited to a specific number within functional specialties having more than one higher level position in a department. Examples are Senior Economists in DPS and Senior Programming Officers in PAB. Category II specialist positions are unique higher level positions (such as Accounting Systems Adviser, CTR, or Resident Representative, Nepal) classified at the M level.

2/ The present rules for the creation of new Projects divisions are that a division can split upon reaching a size of 20 or more higher level staff, and that sectoral groupings of two or more divisions can add another division as long as a minimum average of ten higher level staff per division is preserved. The rule for addition of Assistant Projects Directors is that the average number of divisions per Assistant Director should not exceed four.

February 21, 1980

study will commence in the spring of 1980, and will provide a fresh organizational policy for managerial positions (including the management of economic work) to be ready in time for the FY82 Senior Position Review. PMD, COM, and PAB will also be involved. It will address the criteria to be used in evaluating requests for changes in management structure with regard to such factors as span of supervision, the complexity and sensitivity of the work supervised, and the extent of technical responsibilities embodied in various Bank managerial jobs. For the FY81 Review we will consider proposals for changes in managerial positions as in the past. Thus, please provide a detailed organizational rationale for the requested changes and explain how the new organizational arrangement relates to your work program and efficient management of the units affected. We will monitor the effects of the proposed changes on the Bankwide managerial grade profile. Please note that requests for additional managerial positions should be consistent with your FY81 budget submission to PAB.

6. For senior staff specialist positions, control in FY81 will be exercised not by placing statistical limits on the number of positions, but by tightening up the review procedure as follows:

- a) For existing senior staff specialist positions, a review of whether there is a continued need for the particular skill or expertise will be conducted when the incumbent leaves, before seeking a replacement. The review will be similar to the review for new positions described below.
- b) For proposed new or upgraded senior staff specialist positions, our review will be based on the following information, which should accompany the request:
  - (i) A full job description in the standard form (copy attached);
  - (ii) A detailed statement of the need for the work described in terms of specific actual or planned Bank activities covering FY81 and beyond which would be affected by having (or not having) the position, emphasizing the changes in Bank work which give rise to the need; 1/
  - (iii) A statement of how the proposed work fits into the department's work program, including an analysis of alternative ways of accommodating the new tasks by reallocating the department's resources, including existing senior specialist positions;
  - (iv) If the work is presently being done in some form, a statement of whether the incumbent will be considered for the new or

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1/ In reviewing the request, we will consult with a variety of Bank managers concerned regarding the need for, and priority of, the work in question at the level of expertise that is envisaged.

February 21, 1980

upgraded position, and the extent to which the work is designed to fit his/her capabilities; and

- (v) An estimate of how long the position will be needed in its proposed form.

7. In parallel with these developments in the Senior Position Planning System, PMD is preparing proposals for strengthening the career planning and management of senior level staff in a comprehensive management development system. The purpose is to plan and coordinate personnel actions which serve the Bank's interests and which further to the extent possible, the career interests of senior staff. Among other measures, PMD is developing a management succession planning system. A new short term assignment program for senior level staff is also being considered, which would serve as a tool to bring special skills and knowledge to bear on certain Bank needs which can be best addressed by such staff, and provide additional flexibility in career management of senior staff.

8. Planning senior position needs beyond one year was attempted several years ago, but encountered problems and was ultimately dropped, even though the concept had validity. The problems were that managers tended to overstate their near term requirements and understate their longer term ones (which reflected the lack of a meaningful relationship to the Bank's business planning), and to treat the Senior Position Planning Committee's acceptance of their longer term "plans" as a commitment, when in fact there was no rigorous evaluation of the senior position changes they indicated were needed. In light of the developments mentioned in paragraph 7, the desirability of making a fresh attempt at longer term position planning seems clear. Thus, commencing with the FY81 Review, we ask you to provide not only your requests and justification for the upcoming fiscal year, but also to identify known, likely, or desired changes in the status of specific senior positions (both managerial and specialist) for the two following years. For the planned changes, a short written rationale should be provided, touching on the budgetary, organizational, classification, and personnel issues involved. This statement should be consistent with your and PAB's lending and work programs, and will help us lay the foundation for a management succession planning system and to identify in advance organizational or staffing issues which need attention. Of course, the decisions regarding these positions will be made only at the time they are formally proposed, and on the basis of the information described in paragraphs 5 and 6 above.

9. Administrative procedures for Senior Position Planning are being modified as follows:

- a) An Assistant Director of PMD will be given responsibility under the Director's guidance, for coordinating all activities relating to management development, including Senior Position Planning.

February 21, 1980

- b) After receiving the initial responses from Vice Presidents, specific requests will be evaluated by PMD, COM, OPD, or PAB depending on the nature of the issues raised. All four of these departments will be consulted on the proposed recommendations before they are finalized. You will, of course, be given the opportunity to comment on these recommendations before they are submitted to the President for decision.
- c) Under the revised Senior Position Planning system, there should be little need for ad hoc requests for senior positions, i.e. requests outside the annual review. In cases where an ad hoc decision is needed, the requesting manager should provide the information described in paragraph 5 or 6 above as appropriate, and PMD will ensure that appropriate consultation takes place with COM, OPD, PAB, and yourself before the final decision is made.

Timetable for the FY81 Senior Position Review

10. The timing of this year's review is intended to be coordinated with the preparation of FY81 Work Program and Budget Requests. Thus please prepare the FY81 Senior Position requests and FY82 and FY83 plans in concert with your budget submission to PAB.

11. The attached Senior Position Schedules provide, in a new format, current senior position information for your departments. These schedules should be updated to include your requested changes for FY81 and plans for FY82 and FY83. For FY81 proposed changes, please provide the information described in paragraphs 5 and 6 above. For FY82-83, as reflected in the updated senior position schedules, please provide the information described in paragraph 8 above. The rationale should, of course, be consistent with your lending and work programs as agreed with PAB, and address organizational and staffing expectations.

12. I would appreciate your providing the material requested to Mr. Jennings, Assistant Director, PMD, by March 21.

BOBabson:jpb



# Record Removal Notice

The World Bank Group  
**Archives**  
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<b>File Title</b> <i>WB IBRD/IDA 03-04 President - McNamara Personnel Management Committee July 1980 Vol. 4</i>	<b>Barcode No.</b> <i>1770858</i>
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<b>Document Date</b> <i>1986-07-25</i>	<b>Document Type</b> <i>Memorandum</i>
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**Correspondents / Participants**  
*Martijn J. W. M. Paizmans to Members of Personnel Management Committee*

**Subject / Title**  
*Senior Position Planning for FY 81*

**Exception No(s).**

1    2    3    4    5    6    7    8    9    10 A-C    10 D    Prerogative to Restrict

**Reason for Removal**  
*Personal information 1(b)*

**Additional Comments**

*→ Annex II 2 pp.  
→ Annex III Table 1 1p.  
Annex IV 29 pp.*

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

<b>Withdrawn by</b>	<b>Date</b>
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FY81 Senior Position Planning

Statistical Summary of Requests  
and Recommendations by Vice Presidency

<u>VP Group</u>	<u>Requests</u>	<u>Approvals</u>	<u>Denials</u>	<u>Deferrals</u>
Eastern Africa	Add 2 level N	2	-	-
	Add 2 level M	2	-	-
	<u>4</u>	<u>4</u>	<u>0</u>	<u>0</u>
Western Africa	None			
EMENA	Add 1 level O	1	-	-
	Add 1 level N	1	-	-
	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>
LAC	Add 1 level O	-	1	-
	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
South Asia	Upgrade 1 level N to O	-	1	-
	Upgrade 1 level L to M	-	1	-
	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
East Asia and Pacific <sup>1/</sup>	Add 2 level N	2	-	-
	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
CPS	Upgrade 1 level N to O	-	1	-
	Add 4 level N	4	-	-
	Eliminate 1 level N	1	-	-
	Upgrade 7 level M to N	4	3	-
	Add 5 level M	3	2	-
	Eliminate 1 level M	1	-	-
	Change title 1 level M	1	-	-
	Upgrade 4 level L to M	3	1	-
	<u>24</u>	<u>17</u>	<u>7</u>	<u>0</u>
DPS	None			
OED	Reclassify 6 level M	-	6	-
	Add 3 level M	-	3	-
	<u>9</u>	<u>0</u>	<u>9</u>	<u>0</u>
* Finance	Upgrade 2 level N to O	-	-	2
	Reorganize CTR	-	-	1
	Reclassify 2 level M	-	-	2
	<u>5</u>	<u>0</u>	<u>0</u>	<u>5</u>

<sup>1/</sup> Requested and approved separately from the FY81 Senior Position Review, but shown here for completeness.

External Relations	Upgrade 1 level M to N	-	1	-
	<u>Upgrade 2 level L to M</u>	<u>1</u>	<u>-</u>	<u>1</u>
	3	1	1	1
AOP	Upgrade 2 level M to N	-	-	2
	Add 2 level M	-	-	2
	Upgrade 5 level L to M	-	-	5
	<u>Transfer 1 level M</u>	<u>-</u>	<u>-</u>	<u>1</u>
	10	0	0	10
LEG	None			
SEC	None			
Total <sup>1/</sup>	<u>62</u>	<u>26</u>	<u>20</u>	<u>16</u>

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<sup>1/</sup> These figures do not correspond to those given in paragraph 4 in the text because they include title changes, eliminations, etc., not associated with new or upgraded positions, and the two positions approved for China.

PMD/PU  
July 15, 1980

Bank Managerial and Senior Staff Specialist Profiles

FY75 - FY80

	<u>FY75</u>	<u>FY77</u>	<u>FY79</u>	<u>Initial FY80</u>	<u>End FY80</u>	<u>Recommended FY81</u>
<b>I. Number of Positions</b>						
<b>1. Managerial</b>						
Q	14	14	16	16	16	16
P	48	51	48	47	47	47
O	41	45	46	48	49	50
N	<u>156</u>	<u>172</u>	<u>183</u>	<u>191</u>	<u>191</u>	<u>199</u>
N and above	259	282	293	302	303	312
M	<u>35</u>	<u>43</u>	<u>50</u>	<u>50</u>	<u>53</u>	<u>50</u>
Total Managerial	294	325	343	352	356	362
<b>2. Senior Staff Specialists</b>						
P	2	3	2	3	2	2
O	12	14	15	18	18	18
N	<u>37</u>	<u>46</u>	<u>55</u>	<u>57</u>	<u>60</u>	<u>64</u>
N and above	51	63	72	78	80	84
M	<u>107</u>	<u>106</u>	<u>133</u>	<u>134</u>	<u>126<sup>1/</sup></u>	<u>133</u>
Total Specialists	158	169	205	212	206	217
<b>3. Total M Level Staff<sup>2/</sup></b>	335	432	542	542	610 <sup>3/</sup>	610 <sup>3/</sup>
<b>4. Authorized Positions</b>						
J-Q	1,975	2,246	2,441	2,546	2,546	2,659
A-Q	3,974	4,577	4,959	5,224	5,224	5,463
<b>II. Ratio Analysis</b>						
<b>1. As Percent of J-Q Positions</b>						
-N and above Managerial Positions	13.1	12.6	12.0	11.9	11.9	11.7
-All Managerial Positions	14.9	14.5	14.1	13.8	14.0	13.6
-N and above Specialist Positions	2.6	2.8	2.9	3.1	3.1	3.2
-All Specialist Positions	8.0	7.5	8.4	8.3	8.1	8.2
-All N and above Senior Positions	15.7	15.4	15.0	14.9	15.0	14.9
-Total M Level Staff	17.0	19.2	22.2	21.3	23.6	22.9
<b>2. As Percent of A-Q Positions</b>						
-N and above Managerial Positions	6.5	6.2	5.9	5.8	5.8	5.7
-All Managerial Positions	7.4	7.1	6.9	6.7	6.8	6.6
-N and above Specialist Positions	1.3	1.4	1.5	1.5	1.5	1.5
-All Specialist Positions	4.0	3.7	4.1	4.1	3.9	4.0
-All N and above Senior Positions	7.8	7.5	7.4	7.3	7.3	7.2
<b>3. Ratio of N and above Senior Positions to M Level Staff</b>	.92	.80	.67	.70	.63	.65
<b>4. Ratio of N and above Managerial Positions to M Level Staff</b>	.77	.65	.54	.54	.50	.51

<sup>1/</sup> Twelve restricted M level positions in OED are excluded from these figures as a result of the decision to treat OED positions on the same basis as J-M level positions in Operations.

<sup>2/</sup> Total level M includes, in addition to encumbered restricted M level positions, the number of M level staff on board in the Regions, COPD's, and Legal Department, as well as ad hominem M level staff in other departments.

<sup>3/</sup> As of June 30, 1980

<sup>4/</sup> Figures for FY75, FY77, and FY79 are based on a reconstruction of information contained in the Senior Position Planning Schedules prepared at those times, with as close attention as possible to those definitions currently being used.

BANK SENIOR POSITIONS  
SUMMARY BY VICE PRESIDENT GROUP

Annex III  
Table 4

	Initial FY80						End FY80						Recommended FY81					
	Q	P	O	N	M	TOTAL	Q	P	O	N	M	TOTAL	Q	P	O	N	M	TOTAL
Office of VP, Operations	1	1	1	1	0	4	1	1	1	1	0	4	1	1	1	1	0	4
Eastern Africa	1	3	4	19	9	36	1	3	4	19	9	36	1	3	4	21	11	40
Western Africa	1	3	6	20	7	37	1	3	6	20	8	38	1	3	6	20	8	38
Europe, Middle East & North Africa	1	3	5	25	1	35	1	3	5	26	2	37	1	3	6	27	2	39
Latin America & Caribbean	1	3	5	28	3	40	1	3	5	28	3	40	1	3	5	28	3	40
East Asia & Pacific	1	2	6	21	0	30	1	2	6	21	0	30	1	2	6	23	0	32
South Asia	1	2	4	19	4	30	1	2	4	19	4	30	1	2	4	19	4	30
Central Projects Staff	1	12	14	56	43	126	1	12	14	57	44	128	1	12	14	64	45	136
Development Policy Staff	1	6	5	13	32	57	1	5	6	12	33	57	1	5	6	12	33	57
Financial Staff	2	4	7	11	20	44	2	4	7	11	22	46	2	4	7	11	22	46
External Relations	1	4	1	14	18	38	1	4	1	15	18	39	1	4	1	15	19	40
Secretary's	1	0	0	2	3	6	1	0	0	2	3	6	1	0	0	2	3	6
Legal	1	1	2	7	0	11	1	1	2	7	0	11	1	1	2	7	0	11
Operations Evaluation	1	1	0	3	12	17	1	1	0	3	0	5	1	1	0	3	0	5
ADP	1	5	5	8	32	51	1	5	5	9	33	53	1	5	5	9	33	53
<b>Total<sup>1/</sup></b>	<b>16</b>	<b>50</b>	<b>66</b>	<b>248</b>	<b>184</b>	<b>564</b>	<b>16</b>	<b>49</b>	<b>67</b>	<b>281</b>	<b>179</b>	<b>562</b>	<b>16</b>	<b>49</b>	<b>68</b>	<b>263</b>	<b>183</b>	<b>579</b>

<sup>1/</sup> Includes two positions in the office of the Senior Vice President.

PMD/PU  
July 15, 1980



# Record Removal Notice

<b>File Title</b> Personnel Management Committee Meetings - Minutes 04 President's papers - Robert S. McNamara		<b>Barcode No.</b>  1770858		
<b>Document Date</b> Jul 25, 1980	<b>Document Type</b> Memorandum			
<b>Correspondents / Participants</b> Martijn J.W.M. Pajmans to members of Personnel Management Committee				
<b>Subject / Title</b> Senior Position Planning for FY81				
<b>Exception No(s).</b> <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
<b>Reason for Removal</b> Personal Information				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"> <tr> <td>Withdrawn by Chandra Kumar</td> <td>Date Sep 20, 2013</td> </tr> </table>	Withdrawn by Chandra Kumar	Date Sep 20, 2013
Withdrawn by Chandra Kumar	Date Sep 20, 2013			

## OFFICE MEMORANDUM

Annex V

TO: Vice Presidents and Department Directors

DATE: May 30, 1980

FROM: Martijn J.W.M. Paijmans, Vice President, AOP

SUBJECT: AOP Responsibilities

1. The senior position planning exercise now underway has highlighted certain practices that are making it difficult for three departments under my direction (COM, OPD and PMD) to properly carry out their responsibilities. It has been learned that within a number of areas of the Bank, division chiefs and department directors have made decisions and taken actions more or less unilaterally that could have major effects on the composition and grade classification of jobs, the career development of individuals in those jobs, and the morale of the staff. Such actions, which have carried implied promises to staff members, have ranged from simple restructuring and retitling of individual positions to heavy investment of time and effort to develop plans for major reorganizations.

2. AOP departments have a two-fold responsibility in the fields of compensation, organization planning, and personnel management. They exist both to serve other units of the Bank and to ensure compliance with Bank-wide policies. To provide effective service, they are expected to advise and assist in planning organizations and reorganizations, the structuring of jobs, the preparation of staffing plans, the development of individuals, and the administration of compensation. To ensure compliance with Bank policies, they review proposed actions for conformance with those policies and for consistency from one department to another. Ideally, they will not be oppressive in ensuring compliance, and they will perform that function as a part of their offering of advice and assistance. But, it is difficult for them to perform these functions simultaneously if they are not brought in for early consultation when plans for, or decisions on, changes in organization, job structuring, or staffing are first being considered.

3. Unfortunately, with increasing frequency recently, they have been asked to approve potentially far-reaching changes without having been previously consulted and without having been given sufficient time for review. For example, one department recently proposed a regrading of almost all its top-level positions, based on fairly extensive rearrangement of duties, changes in titles, and shifting of some functions between units. This would have required study by all three AOP departments concerned within an impossibly short period of time. Their only recourse in such a situation is to disapprove and defer action until they can perform the necessary review. This has generated resentment and in other ways prevented them from offering good service.

4. Accordingly, I ask for your cooperation in helping AOP do its job better. In no way do we wish to prevent legitimate change or to dampen innovative effort by departments to improve their organization and management of personnel. But, we do have the obligation to ensure conformance with policy and consistency Bank-wide, so it would

Vice Presidents and  
Department Directors

- 2 -

May 30, 1980

be appreciated if consultations were initiated early with the respective AOP departments on plans affecting organization and personnel. On my end, I will do all possible to ensure that these various AOP activities are carried out expeditiously and in a coordinated, service-oriented manner. Also, I will ensure that the Programming and Budgeting Department is informed in a timely manner if the matter is likely to affect resource requirements or utilization.

BWRohrbacher:cfa

PROFILE OF BANK MANAGERIAL AND SENIOR STAFF SPECIALIST POSITIONS  
By Vice President Group

Annex III  
Table 5

	Initial FY80 Managers						N & Above as % of J-Q Positions		M & Above as % of J-Q Positions		End FY80 Managers						N & Above as % of J-Q Positions		M & Above as % of J-Q Positions		Recommended FY81 Managers						N & Above % of J-Q Positions		M & Above % of J-Q Positions				
	Q	P	O	N	M	Total					Q	P	O	N	M	Total					Q	P	O	N	M	Total							
Office of VP, Operations	1	0	0	0	0	1	16.7	16.7	1	0	0	0	0	1	16.7	16.7	1	0	0	0	0	0	1	20.0	20.0	1	0	0	0	0	1	20.0	20.0
Eastern Africa	1	3	4	18	3	29	12.6	14.1	1	3	4	18	3	29	12.6	14.1	1	3	4	20	3	31	12.9	14.3	1	3	4	20	3	31	12.9	14.3	
Western Africa	1	3	5	20	1	30	13.5	14.0	1	3	5	20	1	30	13.5	14.0	1	3	5	20	1	30	13.2	13.6	1	3	5	20	1	30	13.2	13.6	
Europe, Middle East and No. Africa	1	3	5	25	0	34	12.5	12.5	1	3	5	25	0	34	12.5	12.5	1	3	6	26	0	36	13.0	13.0	1	3	6	26	0	36	13.0	13.0	
Latin America & Caribbean	1	3	5	27	0	36	13.3	13.3	1	3	5	27	0	36	13.3	13.3	1	3	5	27	0	36	13.0	13.0	1	3	5	27	0	36	13.0	13.0	
East Asia & Pacific	1	2	6	21	0	30	15.2	15.2	1	2	6	21	0	30	15.2	15.2	1	2	6	23	0	32	16.2	16.2	1	2	6	23	0	32	16.2	16.2	
South Asia	1	2	4	18	2	27	12.9	13.9	1	2	4	18	2	27	12.9	13.9	1	2	4	18	2	27	12.3	13.3	1	2	4	18	2	27	12.3	13.3	
Central Projects Staff	1	11	5	15	4	36	8.7	9.8	1	11	6	15	5	38	8.9	10.3	1	11	6	18	2	38	9.0	9.5	1	11	6	18	2	38	9.0	9.5	
Development Policy Staff	1	5	2	10	4	22	12.0	14.7	1	5	2	10	4	22	12.0	14.7	1	5	2	10	4	22	11.5	14.0	1	5	2	10	4	22	11.5	14.0	
Financial Staff	2	4	6	11	9	32	13.8	19.2	2	4	6	11	11	34	13.8	20.4	2	4	6	11	11	34	13.4	19.8	2	4	6	11	11	34	13.4	19.8	
External Relations	1	4	0	11	6	22	16.5	22.7	1	4	0	10	6	21	15.5	21.6	1	4	0	10	6	21	15.2	21.2	1	4	0	10	6	21	15.2	21.2	
Secretary's	1	0	0	2	0	3	11.8	17.6	1	0	0	2	0	3	17.6	17.6	1	0	0	2	0	3	17.6	17.6	1	0	0	2	0	3	17.6	17.6	
Legal	1	1	2	3	0	7	13.0	13.0	1	1	2	3	0	7	13.0	13.0	1	1	2	3	0	7	12.3	12.3	1	1	2	3	0	7	12.3	12.3	
Operations Evaluation	1	1	0	3	0	5	20.8	20.8	1	1	0	3	0	5	20.8	20.8	1	1	0	3	0	5	18.5	18.5	1	1	0	3	0	5	18.5	18.5	
AOP	1	5	4	7	21	38	7.2	16.0	1	5	4	8	21	39	7.6	16.5	1	5	4	8	21	39	7.3	15.9	1	5	4	8	21	39	7.3	15.9	
<b>Total</b>	<b>16</b>	<b>47</b>	<b>48</b>	<b>191</b>	<b>50</b>	<b>352</b>	<b>11.9</b>	<b>13.8</b>	<b>16</b>	<b>47</b>	<b>49</b>	<b>191</b>	<b>53</b>	<b>356</b>	<b>11.9</b>	<b>14.0</b>	<b>16</b>	<b>47</b>	<b>50</b>	<b>199</b>	<b>50</b>	<b>362</b>	<b>11.7</b>	<b>13.6</b>	<b>16</b>	<b>47</b>	<b>50</b>	<b>199</b>	<b>50</b>	<b>362</b>	<b>11.7</b>	<b>13.6</b>	

	Initial FY80 Senior Staff Specialists					N & Above as % of J-Q Positions		M & Above as % of J-Q Positions		End FY80 Senior Staff Specialists					N & Above as % of J-Q Positions		M & Above as % of J-Q Positions		Recommended FY81 Senior Staff Specialists					N & Above % of J-Q Positions		M & Above % of J-Q Positions					
	P	O	N	M	Total					P	O	N	M	Total					P	O	N	M	Total								
Office of VP, Operations	1	1	1	0	3	50.0	50.0	1	1	1	0	3	50.0	50.0	1	1	1	0	3	60.0	60.0	1	1	1	0	3	60.0	60.0			
Eastern Africa	0	0	1	6	7	0.5	3.4	0	0	1	6	7	0.5	3.4	0	0	1	6	7	0.5	3.4	0	0	1	6	7	0.5	3.4			
Western Africa	0	1	0	6	7	0.5	3.3	0	1	0	7	8	0.5	3.7	0	1	0	7	8	0.5	3.7	0	1	0	7	8	0.5	3.6			
Europe, Middle East and No. Africa	0	0	0	1	1	0	0.4	0	0	1	2	3	0.4	1.1	0	0	1	2	3	0.4	1.1	0	0	1	2	3	0.4	1.1			
Latin America & Caribbean	0	0	1	3	4	0.4	1.5	0	0	1	3	4	0.4	1.5	0	0	1	3	4	0.4	1.5	0	0	1	3	4	0.4	1.4			
East Asia & Pacific	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
South Asia	0	0	1	2	3	0.5	1.5	0	0	1	2	3	0.5	1.5	0	0	1	2	3	0.5	1.5	0	0	1	2	3	0.5	1.5			
Central Projects Staff	1	9	41	39	90	13.8	24.4	1	8	42	39	90	13.8	24.3	1	8	46	43	98	13.7	24.3	1	8	46	43	98	13.7	24.3			
Development Policy Staff	1	3	3	28	35	4.7	23.3	0	4	2	29	35	4.0	23.3	0	4	2	29	35	3.8	22.3	0	4	2	29	35	3.8	22.3			
Financial Staff	0	1	0	11	12	0.6	7.2	0	1	0	11	12	0.6	6.6	0	1	0	11	12	0.6	6.6	0	1	0	11	12	0.6	7.0			
External Relations	0	1	3	12	16	4.1	16.5	0	1	5	12	18	6.2	18.6	0	1	5	12	18	6.1	19.2	0	1	5	13	19	6.1	19.2			
Secretary's	0	0	0	3	3	0	17.6	0	0	0	3	3	0	17.7	0	0	0	3	3	0	17.6	0	0	0	3	3	0	17.6			
Legal	0	0	4	0	4	7.4	7.4	0	0	4	0	4	7.4	7.4	0	0	4	0	4	7.0	7.0	0	0	4	0	4	7.0	7.0			
Operations Evaluation	0	0	0	12	12	0	50.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
AOP	0	1	1	11	13	0.8	5.5	0	1	1	12	14	0.8	5.9	0	1	1	12	14	0.8	5.9	0	1	1	12	14	0.8	5.7			
<b>Total<sup>1/</sup></b>	<b>3</b>	<b>18</b>	<b>57</b>	<b>134</b>	<b>212</b>	<b>3.1</b>	<b>8.3</b>	<b>2</b>	<b>18</b>	<b>60</b>	<b>126</b>	<b>206</b>	<b>3.1</b>	<b>8.1</b>	<b>2</b>	<b>18</b>	<b>64</b>	<b>133</b>	<b>217</b>	<b>3.2</b>	<b>8.2</b>	<b>2</b>	<b>18</b>	<b>64</b>	<b>133</b>	<b>217</b>	<b>3.2</b>	<b>8.2</b>			

Note: The percentage of J-Q positions refers to the total number of J-Q positions for each vice presidential group listed.

<sup>1/</sup> Includes two positions in the Office of the Senior Vice President.



BANK SENIOR POSITIONSSUMMARY OF RESTRICTED M LEVEL POSITIONS

	Initial FY80				End FY80				Recommended FY81			
	Managerial	Non- Managerial I	Non- Managerial II	Total	Managerial	Non- Managerial I	Non- Managerial II	Total	Managerial	Non- Managerial I	Non- Managerial II	Total
Office of VP, Operations	0	0	0	0	0	0	0	0	0	0	0	0
Eastern Africa	3	0	6	9	3	0	6	9	3	0	8	11
Western Africa	1	0	6	7	1	0	7	8	1	0	7	8
Europe, Middle East & North Africa	0	0	1	1	0	0	2	2	0	0	2	2
Latin America & Caribbean	0	0	3	3	0	0	3	3	0	0	3	3
South Asia	2	0	2	4	2	0	2	4	2	0	2	4
East Asia and Pacific	0	0	0	0	0	0	0	0	0	0	0	0
Central Projects Staff	4	16	23	43	5	16	23	44	2	16	27	45
Development Policy Staff	4	27	1	32	4	29	0	33	4	29	0	33
Financial Staff	9	9	2	20	11	10	1	22	11	10	1	22
External Relations	6	6	6	18	6	6	6	18	6	7	6	19
Secretary's	0	3	0	3	0	3	0	3	0	3	0	3
Legal	0	0	0	0	0	0	0	0	0	0	0	0
Operations Evaluation	0	12	0	12	0	0	0	0	0	0	0	0
AOP	21	9	2	32	21	10	2	33	21	10	2	33
TOTAL	50	82	52	184	53	74	52	179	50	75	58	183

OFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: Members of the Personnel Management Committee  
FROM: Hans Pollan, Acting Vice President, AOP  
SUBJECT: Senior Position Planning for FY'81

DATE July 28, 1980

DECLASSIFIED  
SEP 18 2013  
WBG ARCHIVES

I am attaching a copy of a memorandum from Mr. Hopper, containing an appeal from the South Asia Region regarding the denial by the review group of the request for upgrading of two positions in that Region. The attachment should form part of the paper with the recommendations of the Senior Position Review Group, which Mr. Paijmans sent to you under cover of his note of July 25th.

HP:de

Attachment

## OFFICE MEMORANDUM

TO: Mr. Martijn J.W.M. Paijmans, VP, AOP/

FROM: W. David Hopper, RVP, ASN *W.D.H.*

SUBJECT: Senior Position Planning - Appeal

DATE July 24, 1980

*Palm Acty J.P.*

---

I understand that the only two requests for upgrading which South Asia has put forward have again been denied.

With reference to the TA Coordinator, I maintain that the entire issue of technical assistance management should be seriously studied and appropriate recognition given to the need to strengthen the administration of this key activity not **only in South Asia** but for all Regions.

With reference to the Bangladesh Resident Representative position, I would like to register a formal appeal. I believe that Bangladesh is the ultimate development test for the Bank Group and that the position of Resident Representative in Dacca is one of the most demanding in the Bank given the extraordinary combination of diplomatic and technical skills which it involves. I trust that you will forward my views to the senior management of the Bank.

cc: Messrs. Jennings  
Collins

## OFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: Members of the Personnel Management Committee

FROM: Hans Pollan, Acting Vice President, AOP *LA*

SUBJECT: Personnel Management Committee Meeting - August 5

DATE: July 31, 1980

DECLASSIFIED

SEP 18 2013

WBG ARCHIVES

The following topics are suggested for the Agenda of the August 5 meeting at 2.00 p.m.

Compensation Matters

- a) Compensation Studies - Schedule as of July 31, 1980 (attachment)
- b) Purchasing Power Parity (Mr. Paijmans' memo of July 24 was distributed to the Members on July 25)
- c) Staff Association memo of July 30 regarding mid-year salary adjustment (attachment)

Personnel Management and Organization Matters

- a) Field Office Study prepared by OPD - July 1980 (attachment)  
Note: Item (b) of this Study relates to the Brandt Commission's proposal on greater diversity of the management of the Bank's operations ("Response No. 14")
- b) Proposed memorandum to the Executive Directors on Brandt Commission's recommendation concerning the representation of developing country nationals in the World Bank's management structure (attachment) ("Response No. 12")
- c) Senior Position Planning for FY81 (Mr. Paijmans' memo of July 25 was distributed to the Members on that date. Since then I distributed on July 28 a subsequently received appeal from the South Asia Region, dated July 24, 1980.)

COMPENSATION STUDIES

Schedule as of 7/31/80

	<u>Report</u>	<u>VP</u> <u>Review</u>	<u>Consultations</u> <u>IMF</u> & <u>SA</u>	<u>PMC</u> <u>Consideration</u>	<u>Board</u> <u>Consideration</u>
		<u>Main Review</u>			
Purchasing Power Parity Report	May 16	Aug. 30	Aug. 1-15 <u>1/</u>	Sept. 9	--
Survey data report distribution <u>2/</u>	← - - - - - Nov.14 - - - - - →				
Implications of survey data		Nov.14-27	Nov.17-26	Dec. 2	Dec.4 or 5 <u>3/</u>
Range of options		Dec. 3-31	Dec. 8-29	Jan. 6	Jan.8 or 9 <u>3/</u>
Formulation of recommendations		Jan. 8-27	Jan.12-23	Feb. 3	Feb. 26
		<u>Other Studies</u>			
Social Security	July 3	Aug. 30	July - Aug.	Sept. 9	Oct. 21
Staff Retirement Plan <u>4/</u>					
Compensation Policy Working Group	July-Sept. <u>5/</u>	July-Sept.	-	Sept. 9 Oct. 7	-- --

1/ Delay at request of IMF

2/ Survey Schedule attached

3/ Informal discussion

4/ Dates to be inserted after the Terms of Reference have been agreed upon and a consultant appointed. Efforts being made to resolve differences with IMF over Terms of Reference.

5/ Series of issue papers to be prepared sequentially.

Compensation Department  
 RAClarke:ean  
 July 31, 1980

1980 COMPENSATION SURVEY SCHEDULE

PHASE	JAN	FEB	MAR	APR	MAY	JUNE	JLY	AUG	SEP	OCT	NOV	DEC
<b>1. BANK POSITIONS</b>												
Incumbent Intervws.		████████										
Position Descripts.		████████	████████									
Evaluation			████████	████████								
<b>2. QUESTIONNAIRE</b>												
Preparation		████████	████████	████████								
Short Descripts.				████████								
Issue: A-I				██		██						
J-N (US)				██		██						
Translation		██	██	██	██							
Issue: J-N (Eur.)				██		██						
<b>3&amp;4 JOB MATCHING</b>												
Visits: A-I				██		██						
J-N (US)				██		██						
J-N (Eur.)				██		██						
Evaluation: A-I				██		██						
J-N						████████	████████	████████	████████	████████	████████	████████
<b>5. DATA COLLECTION</b>												
A-I						████████	████████	████████	████████	████████	████████	████████
J-N (US)						████████	████████	████████	████████	████████	████████	████████
J-N (Eur.)						████████	████████	████████	████████	████████	████████	████████
<b>6. DATA ANALYSIS</b>												
Benefits Methodology		██	██	██	██	██	██	██	██	██	██	██
*J-N Comparisons:pay								████████	████████	████████	████████	████████
Benef								████████	████████	████████	████████	████████
Total								████████	████████	████████	████████	████████
Expat								████████	████████	████████	████████	████████
*A-I Comparisons:pay								████████	████████	████████	████████	████████
Benef								████████	████████	████████	████████	████████
Total								████████	████████	████████	████████	████████
<b>7. REPORT</b>												
Draft								██	██	██	██	██
Final								██	██	██	██	██

\*Original schedule combines J-N and A-I.

Legend

- Original schedule
- █ Actual Completed
- ▒ Projected schedule

Note: There will be a meeting on August 5 with Hay and IMF to discuss the projected schedule. A revised schedule will be provided.

Compensation Department

7/31/80

WORLD BANK GROUP STAFF ASSOCIATION

TO: Mr. Robert S. McNamara

July 30, 1980

FROM: Mirza T. Baig, <sup>RSB</sup> Chairman, Staff Association

SUBJECT: Staff Compensation: Mid-Year Salary Adjustment

On behalf of the Bank Group staff, I request that a recommendation be forwarded to the Executive Directors for a mid-year general salary adjustment. The high rate of inflation this year justifies more frequent adjustments to prevent salaries from being seriously eroded during the lag-time implicit in annual adjustments. Delay of an adjustment to March 1981 would, therefore, further erode salaries to an unacceptable degree, particularly when combined with the loss we suffered at the time of the March adjustment.

Prior to 1979, when inflation rates were much lower, Bank Group net salaries were annually adjusted by the Washington CPI. The general increase of 8.3% in March 1980, although substantially less than the increase in the CPI, was understood to be an interim measure awaiting discussion of the Hay Associates' survey results this fall. As it is now unlikely that even a draft report of the survey results will be available before late November, a mid-year adjustment effective September 1, 1980 becomes all the more imperative.

It has been the position of the Staff Association, based on actual practice over the years, that salary adjustments should fully reflect the changes in the cost of living, and should be applied on a net basis. We also feel the purpose of merit increases is to reward staff performance; any incentive motivation is lost when merit increases are considered part of the general salary adjustment, as was the case in March 1980.

A mid-year adjustment this year is essential because of both the continuing high rate of inflation and the further delay in the completion of the compensation survey. We look forward to further consultations during the formulation of more specific proposals on this matter.

cc: Messrs. Paijmans and Clarke  
Executive Committee  
Delegates and Alternates.

FIELD OFFICE STUDY

Prepared By

OPD

July 1980



T A B L E O F C O N T E N T S

Item A: Terms of Reference--  
OPD Study of Role of Bank Field Offices.

Item B: The Role of the Field Offices--  
In relation to the Brandt Commission's  
Proposal on Greater Decentralization of  
the Management of the Bank's Operations.  
Response No. 14.

Item C: Study of the Role of the Field Offices--  
Supplementary Paper I on Guidelines for  
Developing The Role of the Field Offices.

Item D: Study of the Role of the Field Offices--  
Supplementary Paper II on the Implication  
of the Application of the Guidelines.

\* \* \* \* \*

Item A

TERMS OF REFERENCE

OPD Study of Role of Bank Field Offices  
(Project Brief OPD 25)

Client: President

Study Objectives

1. The basic objectives of this study are to:
  - (a) examine the potential longer-term roles of field offices within the context of the operations of the Bank in the 1980s as now projected; and
  - (b) to block out the functions and broad structure of future field offices and to develop guidelines for when and where they should be established.

Study Design

2. The study will start with a fact-finding phase. It will include the assembly of the most up-to-date information now available in Headquarters on the number, location, size, and cost of existing field offices as well as on current plans for adding new offices and for expanding, reducing, or discontinuing existing offices. This phase will also include interviews with responsible Headquarters personnel and reviews of available documents to determine present responsibilities, authorities, functions and activities of existing offices. In short, this phase will provide a profile of the field as it now exists and is currently planned.

3. The next phase will be to assemble from documents and through interviews a picture of how the Bank's programs, activities, approach, structure, and processes are likely to change in the 1980s.

4. The third phase would be aimed at developing hypotheses about the future roles, structure, functions and authorities of field offices. Likely, there would be developed a number of "models" representing a range of the types and sizes of offices that the Bank might have in the future, together with an indication of the functions, responsibilities, authorities, and staffs each might have.

5. The fourth phase would be designed to test the hypotheses. A sample of field offices would be visited to help prove or disprove the validity of the hypotheses. Bank personnel in the field as well as officials of borrowing governments would be consulted.

6. The fifth phase would be the analysis of field findings and development of conclusions which might include proposals to experiment on a pilot basis with alternative structures. Conceivably, this effort could result in agreement on specific recommendations for the future. More likely, however, it would require development of broad guidelines and alternative sets of assumptions on Bank growth, lending approach, overall structure and processes under which the guidelines should be applied in varying combinations.

7. After presentation of the conclusions to the President in this sixth phase and to others he might wish to involve, a report would be prepared which he could present to the Board.

8. Finally, depending on final discussions, various implementing documents (e.g., policies, organization and functional statements, delegations, operating instructions, personnel statements, administrative guidelines) would be developed during this seventh phase.

Staffing

9. For the first phase of the study (paragraph 2 above), a three-man team should be assembled:

- (a) The Director of OPD;
- (b) An OPD Senior Management Consultant; and
- (c) The AOP Field Coordinator.

This team should be helped to the extent necessary by PAB, PMD, and the Regions.

10. From the second through the sixth phases, the Field Coordinator would need to be only minimally involved. However, he would be expected to play a major role again in the seventh and final phase. In fact, it might be appropriate for him to take over lead responsibility from OPD at that time.

11. At present, the timetable for this study is tentatively as follows:

<u>Phase:</u>	<u>Begin Week of:</u>	<u>Complete Week of:</u>
I	February 25	April 7
II	March 24	May 5
III	May 12	June 2
IV	June 9	June 30
V	June 23	July 14
VI	July 7	August 11
VII	August 18	Indefinite

12. OPD's Senior Management Consultant would be expected to be full time or near full time throughout the first six phases, and possibly through the seventh. The Director of OPD would expect to devote half to three-quarters of his time throughout phases one through 6 and approximately one-quarter in phase one and seven.



DRAFT - OPD  
July 29, 1980

THE ROLE OF THE FIELD OFFICES

in Relation to the  
Brandt Commission's Proposal  
on Greater Decentralization of the  
Management of the Bank's Operations

Response No. 14



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V. The Bank's Policy on Field Offices .....	16
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### Annexes

1. World Bank Field Offices in Borrower Countries - Types of Offices and Principal Functions.
2. World Bank Field Offices in Borrower Countries - Authorized Professional Staffing.

## I. Introduction

1. For a number of years, and particularly during the last twelve months, there has been an increasing interest in the role of the Field Offices.<sup>1/</sup>

This interest has developed from a number of independent factors:

- Executive Directors, when discussing projects in Board Meetings, have suggested that an increased presence of Bank staff in the field would improve the progress of projects and would stimulate implementation and speed up disbursements.
- Many of the borrowing countries support the establishment of Field Offices in their own country, believing that it assists the development of a genuine partnership between borrower and lender, increases the rate of disbursement, and provides vital technical assistance.
- Regional management has indicated that there are advantages, in having staff physically closer to the projects, particularly as the lending program moves towards projects of a multiple sector nature and with higher human resource development content.
- Outside consultants have recommended in, for example, the report on Education prepared by the External Advisory Panel in October 1978, that the Bank staff should be more closely allied with the countries in which they are developing projects in the soft sectors.

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<sup>1/</sup> The term Field Offices, for purposes of this paper, refers to offices in borrowing countries and specifically excludes the Bank's offices in Riyadh, Paris, London, Geneva, Tokyo, and New York.

2. As a result of this increasing interest, Organization Planning Department (OPD) was asked to carry out a study of the Role of the Field Offices. In February, draft terms of reference were prepared for approval by the President. Their submission coincided with the publication of the Report of the Independent Commission on International Development Issues, titled: North-South, A Program for Survival, and prepared under the Chairmanship of Willy Brandt. Since this Report contained the proposal that the Bank should decentralize the management of its operations, it was decided to combine with the study of the Role of the Field Offices a review and a response to the proposal put forward in the Brandt Commission Report.

3. During the study, interviews were held with over 35 senior staff in Headquarters, 62 staff from 11 Field Offices located in all six of the Regions, 62 officials in both central and sector ministries of borrowing governments, as well as a member of the Brandt Commission.<sup>1/</sup> In addition, meetings were also held with other UN agencies, bilateral donors, and the Asian, Inter-American and African Development Banks.

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<sup>1/</sup> The Executive Director of the Bank were not interviewed during the study but their views will be incorporated into any agreed action program following their discussion on this paper.

## II. The Present Situation

4. Field Offices historically have come into existence through the case-by-case initiative of Bank management generally from the Regional Vice Presidents and of course with the consent and, at times, the active urging of the member countries concerned. Field Offices have not heretofore been established as an automatic matter of course with the initiation or reaching of a specified level of lending activity with a member government.

5. In FY68, there were six Field Offices: India and Pakistan, established over a decade earlier; Colombia, established in 1963; the regional missions in Eastern and Western Africa, established in 1965; and Indonesia, where the Bell mission was established in that year (1968). India, Pakistan and Colombia were countries for which the Bank had organized aid groups. The regional missions in Africa were created to help develop a pipeline of projects for the newly independent countries. And the Bell mission grew out of political change in Indonesia and the request of the new government for special planning help from the Bank.

6. After 1968, the perception of potential net benefits from Field Offices increased, despite the measurable and quite considerable incremental cost of stationing Bank staff in the field and the difficulty of quantifying the benefits. This reflected the Bank's intention to accelerate movement into the "soft" or "people-oriented" sectors and its emphasis on encouraging delivery of the benefits of Bank lending directly to the very poor. Thus the number of Field Offices increased almost fivefold between FY68 and FY80 and in

the latter year totaled 27.<sup>1/</sup> In FY68, a total of 26 persons or 3.6% of the Bank's professional staff were located in these Field Offices. By FY80, the total had increased to 117 and the proportion to 4.7%. Thus the increase in Bank professional staff in the Field Offices, which was 350% over this period, outpaced the 225% increase for professional staff in the Bank overall. Numbers of Bank professional staff do not tell the entire field story, however, because to their total could be added 160 secondment staff and 35 local professionals.<sup>2/</sup>

7. The current geographic distribution of Field Offices reflects circumstantial differences among the Regions and, to some extent, past differences in approach by Regional managers. The largest expansion in the number of Field Offices has occurred in Africa, south of the Sahara, where there are now 15 offices. Next is the South Asia Region with offices located in five of its seven member countries. There are four offices in the Latin America and Caribbean Region; two in the East Asia and Pacific Region; and one, currently dormant, in the Europe, Middle East, and North Africa Region. New missions have been approved for Egypt and Syria but have not yet been established.

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<sup>1/</sup> The specialized technical assistance office in Riyadh, the cost of which is fully reimbursed by the Saudi Arabian government has not been included in this study. Its purpose is different from those of the other Field Offices which are all located in borrowing countries. However, the number does include the Rural Development Advisory Office in Northeast Brazil, the costs of which are shared with the Brazilian government, and the mission accredited to Rwanda and Burundi is counted as a single mission.

<sup>2/</sup> It is not appropriate to equate the work of all secondment and local professional staff directly with the work of Bank professional staff. Secondment staff are paid by the users and some in these categories work on UNDP pre-investment projects for which the Bank is the executing agency. Nevertheless, many of them do augment Bank staff on Bank financed projects.

8. As to the geographic distribution of Field Office professional staff, 62 are in Africa, south of the Sahara, 28 in South Asia, 21 in East Asia and the Pacific, five in Latin America and the Caribbean. One professional position in Europe, the Middle East, and North Africa is not at the moment filled. About 40% of the professional staff now serving in Field Offices perform "programs-type" functions, and the remainder perform "projects-type" or technical functions.

9. For the purpose of describing the role of Field Offices, it is convenient to divide their functions into two basic categories. These are (a) facilitating the work of Headquarters units and (b) performing some of the work that, in the absence of the Field Offices, would be the responsibility of headquarters units. The latter refers to what, for the purpose of this paper, is defined as the core process of the Bank, in that they represent discrete segments of the lending and project cycle. The core process includes:

- (a) country economic work;
- (b) sector work;
- (c) project identification;
- (d) country programming;
- (e) project preparation;
- (f) project appraisal;
- (g) loan negotiation;
- (h) loan approval;
- (i) certification of loan effectiveness and eligibility for disbursement;
- (j) project supervision;
- (k) disbursement; and
- (l) project evaluation.

10. Twenty of the 27 Field Offices are exclusively facilitating offices and are staffed by one to three professionals assigned from Headquarters. Facilitating, or expediting, is a critically important function and should not be regarded as a "post office" activity. It involves keeping abreast of political and economic events in the country, tracking the status of all Bank activity in the country, recognizing when and why a problem or a bottleneck has occurred and proposing solutions, and establishing relationships of mutual trust with key officials who have the power and the will to take necessary actions. Such an office improves the Bank's understanding of the needs and potential of the member country, improves the country's understanding of the Bank's policies and procedures, and facilitates the completion of the project cycle. The value of such an office is best seen in its interface with visiting Headquarters missions. Field Offices advise on the timing of missions, explain their purpose to local officials, assure their proper reception, brief the missions on local conditions, attempt to prevent or alleviate the effects of duplication of demands on local officials by missions, and follow up on the understandings reached by missions with borrowers.

11. Three Field Offices are mainly concerned with carrying out one or more elements of the core process for one or more sectors. These are the Regional Missions in Eastern and Western Africa,<sup>1/</sup> and the Rural Development Advisory Office in Recife, Brazil.

12. The four remaining Field Offices combine a facilitating role with performance of elements of the core process. These are the country offices in India, Bangladesh and Indonesia, and the Regional Office in Thailand.

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<sup>1/</sup> However, the Director of RMEA, in his individual capacity, also serves as resident ("facilitating") representative to the Government of Kenya and has a deputy who assists him in this function.

13. During FY79, the directly charged administrative expenses of 25 Bank Field Offices totaled \$13.3 million and allocated costs totaled an additional \$2.4 million. This did not include the cost of the offices in Rwanda and Burundi and in Peru which had not yet been opened. On the average, it cost the Regions in FY79 54% more to maintain a professional staff member in a Field Office than to maintain one in Headquarters (\$143,260 vs. \$92,730, including allocated costs). The incremental cost is largely attributable to the overseas allowances and resettlement costs of the professional staff assigned from Headquarters, of which the largest single component is the housing allowance. There is, of course, wide variation in incremental costs among Field Offices, with the highest on the average occurring in Africa, south of the Sahara, and the lowest in Latin America. It should be noted that approximately two thirds of the incremental cost is offset by the use of the member countries' unreleased 9% capital contributions to pay local administrative expenses of the Field Offices. In FY79 this unreleased 9% capital was utilized to pay local administrative expenses of the Bank totalling \$3.8 million; the greater part of this amount was expended on the local administrative costs of field offices.



### III. The Roles of the Facilitating Field Offices

14. The preceding section of this report has described the current situation and identified the fact that the majority, 20, of the Bank's Field Offices are small with usually only one professional staff member assigned from Headquarters. These Field Offices have as their key role the function of facilitating the operations of the Bank's headquarters staff and maximizing development activities in the borrowing country.

15. The activities of the facilitating Field Offices fall into three main groups:

- activities largely related to the government;
- activities largely related to the Bank's work; and
- other miscellaneous tasks.

16. Taking these in turn, the activities related to the government are to:

- develop the working relationship between the borrowing government and the Bank;
- explain the policies of the government to the Bank and equally to ensure that the government understands the policies of the Bank;
- train the government's staff to meet Bank procedural requirements and regulations so that there is both a complete understanding of these requirements and an ability to operate within them;
- engage in a policy and programs dialogue;
- help the project agencies to comply with the conditions of loan and credit effectiveness;

- assist the borrower to resolve his implementation problems;
  - expedite activities requiring inter-ministerial cooperation within the borrowing government;
17. The activities which are largely related to the Bank's work include:
- acquiring an understanding of the factors that influence the economic growth and development of the country;
  - gathering basic economic data;
  - providing a reporting mechanism to the Bank so that changes in the borrowing government's policies, priorities and personnel are recognized;
  - providing administrative and logistical support for visiting missions and consultants employed by the Bank;
  - providing visiting missions from the Bank with an understanding of the cultural and sociological implications of different options and ensuring that staff are aware of these implications;
  - offering opinions based on on-the-ground presence and other inputs into the Bank's macroeconomic, sector and country programming work;
  - offering suggestion, as part of their normal day-to-day work, for potential projects which are relevant to the country's development strategy and to the Bank's lending program objectives;
  - contributing as requested in project preparation, particularly where there is a need for understanding of local factors;

- helping expedite and participate in loan negotiations as assigned by headquarters;
- following up on mission recommendations contained in an aide-memoire and report to Headquarters on progress between missions.

18. Irrespective of the role assigned to a particular office, every Field Office represents the World Bank and not just the Region to which it is functionally responsible. Thus, some of the work done by the Field Office is not directly related to facilitating and expediting the basic lending processes of the Bank. These other tasks include:

- acting as a liaison with other aid donors and representing the Bank on inter-agency coordination committees, often in the chair;
- assisting visiting missions from other aid agencies with data on current aid programs of both the Bank and other multi- and bi-lateral donors;
- distributing Bank publications, studies, press releases and other information;
- carrying out preliminary evaluations of staff candidates who apply to join the Bank;
- interviewing and, as relevant, recommending suitable candidates for Economic Development Institute courses.

19. Finally, there are a number of limited ad hoc activities including, for example, occasional work for the International Finance Corporation or the International Center for Settlement of Investment Disputes.

20. Four of these small Field Offices have more than one professional assigned from Headquarters and these offices can take on a more substantive role and a more active part in the program and policy dialogue and the assembly of inputs for the Bank's economic and sector work. The additional staff makes it possible for the facilitating Field Office to provide more continuous cover and more comprehensive inputs.

IV. The Role of Field Offices With  
Operational Responsibilities

21. Seven of the 27 Field Offices currently established in developing countries have operational responsibilities that go beyond those of facilitating operations. Their responsibilities are mainly for the execution of one or more of the following elements of the core process, or elements of Bank economic work and lending operations:

- country economic work;
- sector work;
- project identification;
- project preparation;
- project supervision; and
- disbursement.

These seven offices and the core process elements that they execute are identified in Annex 1, under "Offices with Operational Responsibilities."

22. Responsibility for other parts of the core process have not been transferred to the field; there is no rationale and little support, within the Bank or within borrowing governments, for transferring such processes as project appraisals, negotiations and final loan approval to the field. These require substantial inputs from staff specialists in different Departments of the Bank, from the President and other top Bank officials, and finally from Executive Directors. The value of this central input is widely recognized. Project evaluation, because of need to respond to headquarter's enquiries, is similarly a function best retained centrally.

23. Annex 2 arrays the field offices' staffing by functional categories, and shows that of the total of 117 professional staff positions outposted from headquarters, 79 of them -- or 68% -- are engaged in the core process. Of these 79, 65 are projects staff, executing sector analyses and parts of the project cycle, predominantly in the agriculture sector. Two are disbursement officers, and the remaining 12 are programs staff -- either economists performing country economic analyses or loan officers coordinating the progress of country lending programs.

24. The Bank has established these large, multi-purpose operational missions in countries and geographic regions where the size of Bank programs and the needs and willingness of borrowers for particularly close collaboration with the Bank combine to make execution of one or more elements of the core process more efficient by field-based rather than headquarters-based staff. At present, only in India and Indonesia is the main country economic analysis performed by staff residing in these countries. Agricultural sector economists also reside in India and Indonesia to perform sector analysis in agriculture which is an important part of these countries' overall economic analyses. This work also results in the identification of agriculture projects, and thus links to the downstream process of project identification and preparation carried out in those offices.

25. All seven of the Field Offices are engaged in the identification and preparation of agriculture projects, in varying degrees of coverage vis-a-vis the subsectoral types of projects, geographic coverage of a region or large country, and the proportion of the total pipeline of the region or country. The main factors governing the assignment of project generation

responsibilities are (i) the size and composition of Bank operations; (ii) the relative capacities of headquarters and resident staffs in particular areas of technical expertise; (iii) comparative time and costs of travel and communications from field or headquarters; and (iv) the managerial ability of borrowers. Regional Vice Presidents take these and other factors into account in deciding the optimal deployment of their limited staff resources. The Regional Mission in Eastern Africa, for example, handles identification and preparation of agriculture projects except in forestry, irrigation and fisheries; in those subsectors there is little or no technical expertise among the staff assigned to the Field Office and there is insufficient work to warrant the assignment of full-time staff with these specialties to the field; thus the work must be done by staff deployed from headquarters. As another example, the small office in Recife handles only the preparation of rural development projects in Northeast Brazil.

26. Six of the offices (Recife excepted) are engaged in agriculture project supervision, again with variability as determined by Regional Vice Presidents according to circumstances peculiar to their regions. There is strong operational linkage between project supervision and project generation: knowledge of the sector, subsectors and countries gained by supervising projects is particularly applicable to the identification and preparation of new projects; close Bank-borrower relationships established during supervision can speed the process of generating future projects. Therefore, there are natural forces working to combine responsibilities for project generation and project supervision in these large field offices. Supervision activity in the six offices ranges from 100% of all agriculture projects by the Resident Staff in Indonesia to supervision of agriculture projects in the Ivory Coast only by the Regional Mission in Western Africa (which has responsibility for project

generation in several countries of the Region). The other offices handle roughly between 50% and 75% of the supervision of the agriculture projects in their assigned country or sub-regional area.

27. Outside the agriculture sector, assignments of project work to the field offices are few and scattered. The Regional Mission in Eastern Africa has a small unit that supervises education projects in five countries of the Region. Also, in the education sector, the office in Bangladesh is responsible for supervising one project. In the Regional Mission in Western Africa, there is a small highways unit responsible for the full project cycle -- identification, preparation, appraisal, and supervision -- for feeder road projects; this is the only unit in the field that performs project appraisals. The Regional Mission in Eastern Africa also has two disbursement officers in residence who are integrated with the supervision of agriculture and education projects; this is the only place outside headquarters where the disbursement function is executed.

28. The foregoing and Annex 1 describe generally the role of Field Offices with operational responsibilities at the end of FY80. The situation is ever changing, has changed markedly in some locations in recent years (e.g., Indonesia), and undoubtedly will continue to change.



V. The Bank's Policy on Field Offices

29. The Bank's policy with respect to Field Offices has, to date, been a policy that can best be characterized as one featuring pragmatism. The Bank does not have a detailed, uniform, Bank-wide policy for Field Offices. Instead, it has preferred to let circumstances and needs in each country and region and the initiative of the Regional Vice Presidents determine when and where offices should be established and what functions they should be assigned. This is in part because, until well into the 1970's, Field Offices were considered something of an exception to the Bank's normal way of conducting operations, and in part because of a recognition that no centrally prescribed formula could be applied to all member countries or regions.

30. The Bank seeks to be fully responsive to each borrowing member's needs. At the same time, the Bank seeks to avoid usurping the country's rights in and responsibilities for determining its own development strategy and for conceiving and executing its own development program and projects; it advises, assists, and at times counsels, but always in ways that aim to encourage development and project operation by the country itself. Moreover, the Bank is rigorous in appraising projects to help ensure their technical, financial and economic soundness, and it also attempts to be most prudent in its use of funds for staff and operating expenses. Within these delicately balanced and sometimes conflicting objectives, the Field Office policy that has been evolving is essentially to put a facilitating office in a member country when the Bank and the government agree that one is necessary to improve working relationships. For the most part, key decisions and responsibilities for the core process remain in the central headquarters where the Bank can afford to

assemble the critical mass of specialists to apply the rigorous analyses that maintenance of quality demands and where final decisions are made by the Executive Directors. Facilitating offices help to improve mutual understanding so that these key decisions and the execution of the core process by the headquarters can be expedited. Core process responsibilities are transferred to existing or new Field Offices when balanced considerations indicate it will be operationally more efficient for them to be performed from within the country or from geographically decentralized regional locations.

31. This policy of pragmatism has resulted in substantial growth in the number of Field Offices and Bank staff in the field, as was noted earlier in Section II. The field staff is still small numerically and relative to headquarters; however, its rate of growth has exceeded that of the Bank overall in response to developing requirements to have certain activities transferred to the field. This trend is expected to continue.

32. The existing informal policy has served the Bank well over the past decade, and it is expected that it will continue to serve well over at least the next five years. However, given projections of continuing Bank growth, the time has come to give the policy a greater degree of formality than it now has and, more importantly, to develop more specific action programs to carry it out. In the following section of this memorandum, the guideline factors governing the establishment of facilitating offices and the transfer of elements of the core process to the field are briefly discussed. I propose to call upon the Vice President, Operations and each Regional Vice President to utilize those guidelines and, with assistance from the Organization Planning and Programming and Budgeting Departments, prepare a specific action

program for development of the field structure. I will provide these programs to you as part of the budget presentation of FY82 or at other times, as appropriate.

33. Beyond these regional action programs I propose also to examine, reevaluate, and modify if necessary a number of current practices relative to resource and administrative support of the field establishment. These include present budgeting, personnel, and performance review practices.

34. With respect to budgeting, for example, the Bank has been trying for some time to follow the policy of requiring the incremental costs of new facilitating offices to be absorbed, at least in part, within the Regional budget. The underlying assumption has been that creation of any Field Office should produce cost savings in the use of Headquarters manpower and related expenses that would offset the cost of the new office. As a result of this policy, there have undoubtedly been fewer proposals advanced by the Regional Offices for the creation of new facilitating offices than might otherwise have occurred. This assumption is valid for the Field Offices that perform the elements of the core process; they should produce offsetting Headquarters savings. However, it is questionable whether the assumption of offsetting Headquarters cost savings is fully valid for facilitating offices. Experience shows that the creation of a facilitating office usually increases rather than decreases the Headquarters workload. This is because the facilitating office, if successful, leads to the acceleration and enrichment of the Bank's activity in the country, as well as to some improved staff efficiency. This is almost inevitably the result in the poorer countries, which can benefit the most from the establishment of a facilitating office.

35. In the formalization and application of the Field Office policy, this budgeting principle will be reevaluated. Consideration will also be given to improving our techniques for identifying and selecting staff for Field Office assignments so as to assign those who combine operational experience with such desirable personal characteristics as maturity, diplomacy, patience, persistence and openness. We also plan to continue developing our procedures and methodology for periodically evaluating the performance and cost effectiveness of individual Field Offices.

VI. Guidelines for Establishing Facilitating Offices and for Transferring Functions of the Core Process to the Field

36. The work done by both Facilitating and Operational Field Offices, as previously noted, has made important contributions to the efficiency and effectiveness of the Bank's work. This will continue provided that the establishment of new Field Offices and the activities of the existing offices are carefully planned and their functions carefully fitted into the Bank's structure and processes. The policy will be to continue encouraging the development of Field Offices whilst continuing to vest the ultimate responsibility with the Regional Vice Presidents. For the foreseeable future, responsibility will remain with headquarters officials for appraisal, negotiation, approval and other core process elements that require interrelated application of critical masses of specialized skills that can only be feasibly maintained at headquarters.

37. The following factors will be considered and applied as guidelines to the development of the regional action programs noted in the preceding section. First the factors for facilitating offices, some of which relate to the Bank's planned activities; others to the nature of the country and its geographical location. Taking the Bank's activities first, the factors are:

- volume of the lending program;
- size of the lending program in terms of the number of projects;
- planned build-up of the lending program;
- status of project preparation;

- rate of disbursements and sectoral composition of the projects under execution;
- changes in the sectoral pattern of lending;
- importance of the role of the Bank among the external providers of capital aid and technical assistance.

38. Turning to the nature of the country, the factors to be considered include:

- per capita gross national product;
- the size of the population;
- status of the country, particularly if it is in the category "least developed" or "other poorest";
- size of the IDA allocation;
- level of government management and administration;
- cultural and social differences;
- standard of communications between headquarters and the country;
- distance from headquarters.

39. The guidelines for deciding on the transfer of selected elements of the core process to the field are largely different from those which apply for facilitating offices and reflect the Bank's particular interest in increasing its role as a lender for development. So far the Bank has identified six core process elements which can be carried out effectively in the field in certain countries; the preparation of country economic reports, sector work, project identification, preparation, supervision and disbursement.

40. Consideration of the transfer of any of these activities requires satisfaction of three overall guidelines.

- the volume of work must have reached or be expected to reach a level sufficient to warrant the full-time assignment of a critical mass of staff with a sufficient range of sub-specialties to be able to cover the majority of the proposed work program;
- the allocation of responsibility for the specific activity must be clearly definable with complete agreement on the proposed work program;
- the improvements in efficiency and the benefits in improved operation must be recognizable and relate to the increased costs.

The country level is the preferred location to which the activities should be considered for transfer. However, where country programs are not large enough to warrant, consideration can be given to locating the critical mass away from the headquarters in a regional office if its location outside Washington will improve Bank responsiveness, if transportation and communications facilities are good, and if sufficient headquarters cost offsets can be attained. All three of these guidelines should be continually reviewed with staff in the field to keep up-to-date with changing circumstances, and thus changing responsibilities, and to ensure that new staff in the field as well as in headquarters have a clear understanding of their relative roles and duties. Since each Field Office, in effect, is executing a portion of the workload for which a Regional Vice President is accountable, as are the staff members in Headquarters who report to him, and since the distribution of duties between

Headquarters and field with respect to workload are not uniform among offices and can change over time, it is imperative that all personnel involved are always current on their respective responsibilities.

41. There are a number of more detailed guidelines which relate to the transfer of some of these core process activities. Taking these in turn in order of their logical assignment to the field:

Project Supervision:

- size, in terms of number of projects, of the lending program in sectors with significant human resource development components;
- need for short irregular supervision missions;
- need for continuity of staff on supervision.

Project Identification and Preparation:

- status of the project pipeline;
- planned increases in the lending program;
- number of projects with high human resource development components;
- managerial and technical capacity of the potential borrower.

Country Economic and Sector Work

- large countries, particularly those with federal type governments;
- large population;
- unreliable data bases.



Disbursements

- number of projects, particularly in new sectors;
- supervision function already in the field;
- absence of strong government and project administrative capability.

42. The transfer of these parts of the core process to the field will lead to improved effectiveness and efficiency of the Bank's operations. Clearly, their transfer is less indicated if, on the one hand, the country lending program is small, the number of projects is low, and, on the other hand, the country has a technically capable, efficient and well managed bureaucracy and has sufficient managers to staff the borrowing agencies.

43. The main requirement is that there should be sufficient work to justify the transfer of a minimum number of staff to provide a critical mass for performing one or more parts of the process in a sector. This can be done two ways. In Asia, the work programs in Bangladesh, India and Indonesia justify the establishment of agricultural units with specific responsibility for the individual countries. In Africa, where the lending programs are generally smaller, regional Field Offices have been established with staff responsible for supervision and identification and preparation of agricultural projects in a number of countries.

VII. Conclusion

44. As I have already indicated I am now asking the Vice President, Operations and each Regional Vice President to use the guidelines which have been developed and with assistance from the Organization Planning and Programming and Budgeting Departments, to prepare an action program for strengthening the Field Offices in the regions.

45. At the same time, I am asking the support departments in the Bank, particularly in Personnel, Compensation and Administrative Services Departments to review the implication of an increasing number of Field Offices and a larger number of staff in the Field.

46. These reviews will be carried out during the next three months and I will provide you with the programs as part of the budget presentation for FY82, or at other times as appropriate.

World Bank Field Offices in Borrower Countries  
Types of Offices and Principal Functions

<u>Region/Country</u>	<u>Type of Field Office</u>		<u>Principal Functions</u>				
	<u>Small Facilitating Office</u>	<u>Office with Operational Responsibilities</u>	<u>Facilitating</u>	<u>Economic and Sector Work</u>	<u>Project Identification and Preparation</u>	<u>Project Supervision</u>	<u>Disbursement</u>
<u>EMENA</u>							
Afghanistan	x		x				
<u>EAST ASIA &amp; PACIFIC</u>							
Indonesia		x	x	x	x		x
Thailand (Regional)		x	x		x		x
<u>SOUTH ASIA</u>							
Bangladesh		x	x		x		x
India		x	x	x	x		x
Nepal	x		x				
Pakistan	x		x				
Sri Lanka	x		x				
<u>EAST AFRICA</u>							
Burundi/Rwanda	x		x				
Ethiopia	x		x				
Kenya (Regional)		x	x <sup>1/</sup>		x	x	x
Somalia	x		x				
Sudan	x		x				
Tanzania	x		x				
Zaire	x		x				
Zambia	x		x				
<u>WEST AFRICA</u>							
Cameroon	x		x				
Ghana	x		x				
Ivory Coast (Regional)		x			x	x <sup>2/</sup>	
Mali	x		x				
Nigeria	x		x				
Senegal	x		x				
Upper Volta	x		x				
<u>LATIN AMERICA &amp; CARIBBEAN</u>							
Bolivia	x		x				
Brazil: Recife		x			x		
Colombia	x		x				
Peru	x		x				

<sup>1/</sup> Kenya only.

<sup>2/</sup> Appraisal also on feeder roads only.

World Bank Field Offices in Borrower Countries  
Authorized Professional Staffing from Headquarters

<u>Region/Country</u>	<u>Director (D),</u>	<u>Deputy</u>	<u>Programs Staff</u>		<u>Projects Staff</u>		<u>Disbursement Staff</u>	<u>Administrative Staff</u>	<u>Professional Total</u>
	<u>Chief (C), or</u> <u>Res. Rep.</u>		<u>Facilitating</u>	<u>Operating</u>	<u>Facilitating</u>	<u>Operating</u>			
<u>EMENA</u>									
Afghanistan	1								1
<u>EAST ASIA &amp; PACIFIC</u>									
Indonesia	1 (D)	1		6		9			17
Thailand (Regional)	1 (C)		1			2			4
<u>SOUTH ASIA</u>									
Bangladesh	1 (C)	1		3		4			9
India	1 (C)		1	3		9			14
Nepal	1								1
Pakistan	1		1		1				3
Sri Lanka	1								1
<u>EAST AFRICA</u>									
Burundi/Rwanda	1								1
Ethiopia	1								1
Kenya (Regional)	1 (D)	1 <u>a/</u>				24	2	1	29
Somalia	1								1
Sudan	1								1
Tanzania	1	1							2
Zaire	1				1				2
Zambia	1								1
<u>WEST AFRICA</u>									
Cameroon	1								1
Ghana	1								1
Ivory Coast (Regional)	1 (C)					16			17
Mali	1								1
Nigeria	1		1						2
Senegal	1								1
Upper Volta	1								1
<u>LATIN AMERICA &amp; CARIBBEAN</u>									
Bolivia	1								1
Brazil: Recife						1			1
Colombia	1	1							2
Peru	1								1
	26	5	4	12	2	65	2	1	117

a/ Deputy Resident Representative to Kenya.

Item C

DRAFT - OPD  
July 29, 1980

STUDY OF THE ROLE OF THE FIELD OFFICES

Supplementary Paper I on

Guidelines for Developing

The Role of the Field Offices

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## I. INTRODUCTION

1. The report prepared for the Executive Directors on the "Role of the Field Offices" indicated a number of factors that the staff of the Bank have taken into account when considering whether or not to establish a facilitating Field Office or to transfer responsibility for the core process to a particular regional centre or country.

2. This report now develops these factors into guidelines to assist Regional Vice Presidents and regional management to carry out a country-by-country review of their region with the objective of determining where:

- additional facilitating Field Offices are required;
- existing facilitating Field Offices can be strengthened;
- responsibility for core process can be transferred to the field;

3. This review, envisioned in the terms of reference for the study of the role of the Field Offices, will be carried out during the second quarter of FY81 with the intention that agreed proposed changes to strengthen the Field Offices will be incorporated in the plans and budgets for FY82.

4. Clearly these guidelines are indicative; Regional Vice Presidents and regional management must retain the ultimate authority and responsibility for the work programs and staffing levels. They must decide on the optimum level of staffing in the field.

5. Turning now to the guidelines for the establishment of facilitating Field Offices.



## II. GUIDELINES FOR THE ESTABLISHMENT OF FACILITATING FIELD OFFICES

6. The Bank will take into consideration a number of guidelines to decide in which countries a facilitating Field Office is required.

### (i) Size of Lending Program

All the Bank's current Field Offices with the exception of Zaire are found in countries where the five-year lending program is greater than US\$100 million. Plans have reached various stages of development for an additional seven offices, all in countries with programs over US\$100 million. Thus a reasonable guideline, extrapolating from the past, is that before a Field Office is considered, the lending program in a country should exceed US\$100 million.

### (ii) Number of Bank Operations

Consideration should be given to the number of Bank operations in the country. A reasonable guideline is that the number of projects in execution and in the five-year lending program should total at least 20.

### (iii) Planned Build-Up in the Lending Program

A rapid increase in the lending program to a country can often be facilitated by establishing a Field Office. Thus, if there is an objective to increase substantially the country's ability to absorb Bank lending, a Field Office should be considered.

### (iv) Status of Project Preparation

Field Offices can make a contribution to improving and accelerating the process of project preparation. If there are problems in the pipeline, they may well be alleviated by the establishment of a Field Office.

(v) Rate of Disbursement

If the rate of disbursement is unsatisfactory, there is much that staff based in the field can do to improve the situation. This is particularly true when there has been a recent past increase in the number of approved loans and the borrower requires assistance in setting up procedures to comply with the Bank's requirements.

(vi) Changes in the Sectoral Pattern of Lending

The Bank is increasing lending to the soft sectors with high human resource development components. These projects require closer involvement of Bank staff. Thus, if the country program contains an increasing volume of lending for soft sector projects a Field Office should be considered.

(vii) Role of Bank in External Assistance

The justification for a Field Office will be higher if the Bank is playing a lead role in mobilizing or coordinating external aid from a number of donors and financial sources.

(viii) Gross National Product Per Capita

The majority of the Bank's present Field Offices are in countries designated "least developed" or "other poorest". Because such countries may lack the resources to staff their public administrations adequately, a Field Office may be justified as a form of technical assistance. It should be noted that countries in these categories are among those eligible for IDA credits.

(ix) Size of Population

There tends to be a correlation between the size of the population and the number of projects in the lending program and the volume of lending. The Bank will, nevertheless, also consider separately the population of the country when reviewing the need for a facilitating Field Office, since it is desirable that the benefits from the incremental expense incurred by the Bank in establishing an office should be widely distributed.

(x) The Level of Government Management

Many countries, particularly in Asia and Africa, suffer from an acute shortage of trained administrators and technical personnel. As a result, managerial competence is low. This is another factor that will be taken into consideration in assessing the need for a Field Office.

(xi) Cultural and Social Differences

Some countries have complex cultural, social and political structures which are easier to understand and work with from an in-country location than through travel from Headquarters.

(xii) Regular and Reliable Communications

Not every borrowing country has a reliable postal system and many are limited in the budgetary resources available for telecommunications. Thus, if communications with the country are poor, effective work from Headquarters is hampered and the need for an in-country Field Office is strengthened.

(ix) Distance from Washington, D.C.

If the country is distant from Washington, a facilitating Field Office can often establish work programs for missions which reduce the time being spent on preparatory or follow-up matters.

7. Not all these guidelines have to be satisfied for a facilitating Field Office to be set up; nor indeed should such an office be set up just because a particular country and its program satisfy all the guidelines. Responsibility lies with the Regional Vice President and his management team.

8. One professional staff member cannot carry out all the activities that are expected of him by the Bank, the host government and other aid donors, who look to the Resident Representative to provide the lead in developing aid coordination. Nor is it likely that one man will have all the skills necessary to carry out all the activities to ensure the Field Office is fully effective. A Resident Representative in a facilitating Field Office is often only on duty for 40 weeks a year after allowing for leave, sicknesses and visits to Headquarters. A one-man office therefore is unmanned for a quarter of the year, (excluding any time the Resident Representative may spend on tour) and often for longer periods when a Resident Representative comes to the end of his tour and before the new representative is appointed and in post.

9. The appointment of a deputy is clearly indicated in the majority of the Bank's one-man offices to increase efficiency and to provide continuity.

III. GUIDELINES FOR TRANSFERRING FUNCTIONS OF THE CORE PROCESS TO THE FIELD

10. There are three main guidelines which determine whether or not functions of the core process can be transferred either to a regional or country Field Office;

- (a) the volume of work must be sufficient to allow for the transfer of a critical mass of staff with a sufficient range of sub-specialities to be able to cover the majority of the proposed work program;
- (b) the allocation of responsibility for the specific part of the core process must be clearly defined with complete agreement on the proposed program;
- (c) the improvements in efficiency and the benefits in improved operation must be recognizable and relate to the increased costs.

All three of these guidelines should be continually reviewed with staff in the field to keep up to date with changing circumstances, and thus changing responsibilities, and to ensure that new staff in the field have a clear understanding of their role and duties.

11. There are a number of more detailed guidelines which relate to the transfer of some of the core process. Taking these in turn in order of their logical assignment to the field:

(a) Project Supervision

- (i) size, in terms of number of projects, of the lending program in sectors with significant human resource development components. Current experience suggests a minimum of 20 projects in a sector are required to provide a reasonable work load.

- (ii) need for short irregular supervision missions. If a number of projects have a need, particularly in the early stages, for short irregular supervision missions this will support the need to transfer the supervision function to the field;
- (iii) need for continuity of staff on supervision. Soft sector projects require continuity of staff on supervision since much of the assessment of progress will depend on intangible improvements rather than a review of the construction of physical facilities.

(b) Project Identification and Preparation

- (i) these two parts of the core process can be used to balance the work load of supervision staff in the field but if the status of the project pipeline is poor and the country's managerial and technical capacity low, staff in the field can make improvements;
- (ii) planned increase in the lending program. A large increase in the lending program indicates the need for the development, to the preappraisal stage, of an increased number of projects. This indicates that staff should be transferred to the field particularly if the projects planned have high human resource development components.

(c) Country Economic and Sector Work

- (i) there are only a limited number of countries where the economic and sector work is best carried out in the field. However, where the country is large in area, has a high population and a federal government, or has a high degree of geographical or cultural fragmentation,, country and sector economic work should be transferred to the field;

- (ii) where the data bases are unreliable and the updating of existing information with accurate inputs difficult, staff in the field can help.

(d) Disbursements

- (i) a large number of projects under implementation indicates that the disbursement function can be transferred to the field, particularly if these projects are in new sectors or are loans to new project agencies where there are high initial training and monitoring requirements;
- (ii) unless the supervision function is in the field, the transfer of disbursements should only be considered exceptionally;
- (iii) where continuing advice and assistance to borrowing agencies is required, the disbursement function should be in the field.

IV. ACTION PROGRAM

12. The guidelines indicate the bases on which transfer of functions to the field should be considered. To implement these guidelines it is proposed to hold seminars in the Fall of 1980, with Regional Vice Presidents and management to explain these guidelines, and to refine them, before carrying out a country-by-country review in each region with the objective of identifying accurately where staff can be transferred to the field and when.

13. At the same time the cost implications will be discussed with the Programming and Budgeting Department so that accurate estimates of the costs of transferring the staff can be made.

14. The preparation of a summary of the individual regional proposals and their costs and benefits will then be prepared for management.

15. Finally, the report on the "Role of the Field Offices" drew attention to the need for a review of the activities of Personnel, Compensation and the Administrative Services Departments in relation to the Field Offices. Following the work on the regional programs it will be necessary to assess in detail the staffing requirements and support functions necessary to ensure that the Field Offices can operate effectively. This study will also be carried out in the Fall 1980.



Item D

DRAFT - OPD  
July 29, 1980

STUDY OF THE ROLE OF THE FIELD OFFICES

Supplementary Paper II on  
the Implication of the  
Application of the Guidelines

### Implications of the Guidelines

1. The report, prepared for the Executive Directors, has set out the Bank's policy and indicated the guideline factors that are taken into account in deciding when to establish a facilitating Field Office, when to strengthen it and when to transfer functions of the core process to the field. A supplementary Paper I, for management, has developed the guideline factors into more detailed guidelines and this paper now examines the implications.

2. Application of the guidelines have implications for the Bank and the development of the Field Offices. They are:

- a gradual increase in the number of staff in the field by 1985;
- an increase in the cost of the Bank's operations with associated increases in effectiveness of staff utilization and responsiveness;
- a change in headquarters support functions for the Field Offices.

3. In the case of facilitating Field Offices the application of the guidelines to the Bank's presently projected program over the next five years could result in Field Offices being set up in some ten additional countries, largely in Africa and Asia where the shortage of trained government administrators is generally more acute than in Latin America and in Europe, the Middle East and North Africa, and also where the stage of development is lower as reflected in the allocation of IDA credits.

4. Examination of the activities carried out by the facilitating Field Offices show that, after the initial start-up, there is usually sufficient work for a minimum of two professionals. The implication is that a

further 17 positions could be assigned to the field over the next five years to meet this need in existing offices. Furthermore, in a number of cases where new Field Offices are established early in the 1980s, the appointment of a second staff member will be likely by 1985 leading to a further four to five positions in the field.

5. Thus, to expand and strengthen facilitating Field Offices, a further 32 positions will likely be in the field by 1985. Some of these will be in new Field Offices, others in existing offices.

6. The implications of the application of the guidelines to the transferring of core processes are far greater in terms of potential staff numbers in the Field. Whilst fully accepting that it is the Regional Vice President's responsibility to decide on the allocation of staff between headquarters and the field, and that a country-by-country review is necessary, nonetheless the guidelines do indicate that substantially more staff can be transferred to the field over the next five years.

7. In project supervision, large agricultural lending programs exist in at least six countries where supervision is currently carried out from headquarters; using both India and Indonesia as a guideline, where nine agricultural staff are in the field, indicates that in these six countries a further 54 staff would be assigned to the field.

8. Of the remaining sectors, four have high human resource development components. These are the Water Supply, Urban, Population and Education. Increasingly also lending in the Transportation sector contains substantial training and institution building components requiring more involvement of Bank staff.

9. Currently, on a country-by-country basis, no individual country has a sufficiently large program to justify transferring the supervision function in any of these sectors. However, on a regional basis, there is clearly sufficient work in the Transportation sector to justify transfer of supervision to the field in both the African regions. This would increase the staff in the field by 10-12 positions in each regional Field Office - a total of 20-24 additional staff.

10. As lending programs grow over the next five years, the increase in the number of projects will, on a regional basis, justify transfer of more staff to the field. No accurate assessment can be made but it is possible to envision the re-establishment of the Education unit in the regional Field Office in Western Africa and to establish regional units for Transportation project supervision in South Asia and East Asia and Pacific Regions. This could lead to a further 30-36 positions in the field.

11. Project identification is an on-going activity of all staff and no incremental staff in the field are envisioned. In estimating the number of staff that will be transferred to the field for supervision, upper limits of numbers have been used to ensure a critical mass and it is envisioned that these staff located in the field will be used for project preparation. No increase is therefore planned for this process.

12. In only one case, the regional Field Office in Eastern Africa, is the disbursement function delegated fully to the field. Over the next five years it should be possible to move this function and increase the number of regional and country Field Offices where it is carried out, thereby increasing the staff in the field by twenty.

13. In economic and sector work, the probability is that except in the most distant, large, and heavily populated countries with complex federal structures, the advantages of preparing the economic report in Washington will outweigh the benefits of transferring a sufficient number of staff to the field to be effective. Thus, no more than three or four countries are likely to be candidates for these processes. This would involve the transfer of sixteen economists to the field.

14. No mention has yet been made in this report of lending for structural adjustment. However, where the Bank lends for structural adjustment, there will be a need for almost continuous monitoring of the borrowing government's financial policies. Perhaps, where facilitating offices exist, and where government reporting and communications are good, this monitoring and reporting function could be handled by the facilitating office. However, circumstances may be such as to require additional staff in the field for those functions or for technical assistance to help develop policies or build general government capability. At this stage, no firm estimate can be made.

15. In summary, the total number of additional staff in the field by 1985 is likely to be in the range of 172-182; an increase of 145-155% over the present level. This total consists of:

Strengthening existing facilitating Field Offices	17
New facilitating Field Offices	15
Agricultural supervision	54
Other sectors' supervision	50-60
Project identification and preparation	-
Disbursement	20
Economic and sector work	16
Structural adjustment	-
	<u>172-182</u>

16. Turning now to the increased costs of additional staff in the field; a previous section has shown that on average in FY79 it cost 54%, or \$50,530, more to maintain a professional staff member in the field. However, particularly in South Asia Region, local professional staff are being taken on to carry out parts of the work program currently done by internationally recruited staff and thus estimates of costs are dependent on the balance between locally and internationally recruited staff. As a maximum, implementation of the guidelines is likely to increase the present costs by \$9.2 million. Each Regional Vice President will have to review each proposed transfer of staff to the field and consider different options aimed at deriving the full benefits from having staff in the field whilst minimizing costs.

17. This proposed substantial increase in the number of staff in the field also has implications for other departments in the Bank; for Personnel, for Compensation and for the Administrative Services Departments. With only relatively few professional staff in the field, the support required has been limited and has required relatively little headquarter's staff involvement. This will not be so over the next five years.

18. Although some work has already been done over the last few years and new material on general field office personnel administration, security, and reassignment have been issued, there remain a number of areas where further policies and procedures are needed. These include, for example, the development of personnel guidance for local and seconded staff, revised compensation policies and more comprehensive systems of staff appraisal.

19. A number of new procedures have also been established covering, for example, the evaluation of existing offices, Field Office assignments,

pouch services but other areas, including records management and communications, now require increased supporting inputs.

20. A personnel officer, with responsibility for headquarters based staff on field assignment has recently been appointed; part of his work must be to ensure the orderly transfer of staff to and from the field and the preparation of briefing and orientation procedures for professional staff and their families.

21. The Field Coordinator has an agreed work program which encompasses much of the new work that has to be done and a number of other activities which include procedures for the activation of new offices and reviews of personnel practices and communications. He cannot be expected to carry out all this innovative work on his own and will need to become increasingly a coordinator of a number of task forces. This role was envisioned in the agreed terms of reference.



File "PMC"

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STRICTLY CONFIDENTIAL

RECORD OF SEVENTEENTH MEETING OF  
PERSONNEL MANAGEMENT COMMITTEE

1. Mr. McNamara convened a meeting on August 5. Present were:

- Messrs. Stern
- Sommers
- Chaufournier
- Clarke (Acting VPAOP)
- Pollan
- Koch-Weser

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WBG ARCHIVES

Messrs. Paijmans and Qureshi were out of town.

Compensation Matters

(a) Progress of Compensation Studies

2. It was noted that the Hay survey report will not be available before the latter part of January 1981 - a copy of the revised survey schedule is attached.

3. McNamara emphasized that no consultations with IMF or Staff Association should take place on matters arising from the survey report until after they had been considered by PMC. To this end a detailed timetable for the various stages of the review, after the survey data are available, should be prepared for the September PMC meeting.

(b) Purchasing Power Parity

4. It is too early to decide upon the formula to be adopted - if necessary the survey data could be shown adjusted for purchasing power parity by two or more formulae.

5. At this stage the ICP Fisher formula appeared preferable. Use of the Wiesbaden Index was not acceptable but, if IMF insisted on its use, the survey report should show its effect in addition to that of whichever formula may be decided upon by the Bank.

(c) Mid-Year Salary Adjustment

6. McNamara decided that the Staff Association memorandum of July 30 shall be distributed to the newly established Board Committee on Staff Compensation Issues.

7. When the February - August price rise in Washington is known (the CPI will be published about August 22), the redrafted Board paper should be submitted for PMC consideration before any consultation takes place with IMF

or the Staff Association. It was noted that the Managing Director is inclined against a mid-year adjustment largely on the grounds that it would be difficult to justify given the retroactivity of any adjustment resulting from the Hay survey and might prejudice ongoing quota deliberations in the US Congress. On the other hand, he was concerned lest the juxtaposition of the outcome of the Hay survey and the regular spring 1981 adjustment give rise to a politically difficult large increase for some staff.

Personnel Management and Organization Matters

(a) Field Office Study

8. McNamara asked that the consideration of the paper be deferred until all members of the PMC return from their respective vacations. (It will likely be reverted to at PMC's meeting in September.)

(b) Developing Country Nationals in the Bank's Management

9. The meeting approved, with certain adjustments in paragraphs 14 and 21, the PMD paper containing a suggested response on a recommendation of the Brandt Commission.

(c) Senior Position Planning Review for FY81

10. McNamara asked that discussion of these positions on which there was a dissent from Vice Presidents be deferred until the September PMC meeting. The other recommended positions could be put into place.

11. Stern mentioned, as a systemic point, that he would like to be involved in the process before the Review Group gave any indications to VPs regarding recommended dispositions. The meeting took note that PMD was reviewing the whole Senior Position planning process with a view to making a proposal for an improved system.

12. McNamara also asked that in future, the comprehensive table on Bank Managerial and Senior Staff Specialist Profiles be accompanied by a comparison of the situations in the UN, the IMF, the Asian Development Bank, the Inter-American Bank and the OECD.

DPS

13. The meeting also addressed the work being done by OPD regarding the structure of DPS. There was considerable discussion with the main points being that:

- it was too early to address the DPS structure;
- the Bank's next President would probably want to make an input; and
- the essence was really to agree on the minimum requirements for finding a replacement for Hollis Chenery. (Chenery had already recommended a list of possibilities to McNamara.)

14. The conclusion was that we would find the right man first, a leader in ideas on development, and only then address the organization of the DPS, a matter which could be viewed independently from Chenery's replacement. In other words: "Start from and with the man, and then shape DPS."

PMC Paper

1980 COMPENSATION SURVEY SCHEDULE

Detailed Schedule revised in light of extensive discussions with Hay Associates and IMF this morning attached.

Distribution of final survey report now scheduled for last week of January 1981. The principal reasons for the slippage are:

- a greater than anticipated number of job matches identified (which will add to the quality of the survey) but which must be evaluated;
- delays experienced in the job matching exercise in France.

Compensation Department  
RAClarke:ean  
August 5, 1980

1980 COMPENSATION SURVEY SCHEDULE

PHASE	1980												1981
	JAN	FEB	MAR	APR	MAY	JUNE	JLY	AUG	SEP	OCT	NOV	DEC	JAN
<b>1. BANK POSITIONS</b>													
Incumbent Intervws.	■■■■■												
Position Descripts.	■■■■■	■■■■■											
Evaluation		■■■■■	■■■■■										
<b>2. QUESTIONNAIRE</b>													
Preparation		■■■■■	■■■■■	■■■■■									
Short Descripts.			■■■■■	■■■■■									
Issue: A-I			■■	■■	■■	■■							
J-N (US)			■■	■■	■■	■■							
Translation		■■	■■■	■■■	■■■								
Issue: J-N (Eur.)			■■	■■	■■	■■							
<b>3&amp;4 JOB MATCHING</b>													
Visits: A-I				■■■		■■■■■	■■■■■	■■■■■	■■■■■				
J-N (US)				■■■		■■■■■	■■■■■	■■■■■	■■■■■				
J-N (Eur.)				■■■		■■■■■	■■■■■	■■■■■	■■■■■				
Evaluation: A-I				■■■		■■■■■	■■■■■	■■■■■	■■■■■				
J-N				■■■		■■■■■	■■■■■	■■■■■	■■■■■				
<b>5. DATA COLLECTION</b>													
A-I							■■■■■	■■■■■	■■■■■				
J-N (US)							■■■■■	■■■■■	■■■■■				
J-N (Eur.)							■■■■■	■■■■■	■■■■■				
<b>6. DATA ANALYSIS</b>													
Benefits Methodology	■■■		■	■	■■■■■	■■■■■	■■■■■	■■■■■					
*J-N Comparisons:pay								■■■■■	■■■■■				
Benef								■■■■■	■■■■■				
Total								■■■■■	■■■■■				
Expat								■■■■■	■■■■■				
*A-I Comparisons:pay									■■■■■	■■■■■			
Benef									■■■■■	■■■■■			
Total									■■■■■	■■■■■			
<b>7. REPORT</b>													
Draft									■■■				
Final										■			

\*Original schedule combines J-N and A-I.

Legend

- .....Original schedule
- Actual Completed
- Projected schedule

Compensation Department

8/5/80

## OFFICE MEMORANDUM

TO: Members of the PMC

DATE: July 24, 1980

FROM: Martijn J.W.M. Paijmans, Vice President, AOP

SUBJECT: Purchasing Power Parity (PPP)

1. Following the decision at the last PMC to have an early look into Compensation Survey related issues, attached is a copy of the Joint Bank/Fund Purchasing Power Parity Committee Report. There were clear differences of opinion between the Bank and Fund Committee members.
2. In very preliminary consultations with the IMF and with the Bank's Staff Association, it became obvious that the differences of opinion between the two institutions reflected in the report were shared by the two Administrations and Staff Association. These views are tabulated in Annex 1.
3. The Committee report's PPP rates are based on averaging the exchange rates and relative Consumer Price Indices over a period of one year (calendar 1979). Previous practice has been to average both nominal exchange rates and PPP rates over the latest six-month period. The Committee finds acceptable the six-month averaging (this would be possible for October 1979-March 1980) and we doubt if this would be an issue between the two institutions. The implications of the different PPP rates - as advocated by the different parties involved - are set out at Annex 2.
4. The views of the PMC are sought particularly for guidance on the points of difference prior to entering into full consultations with the IMF and Bank Staff Association. It is proposed that this issue be discussed at the early August meeting of the PMC. In view of the complexity of the subject matter, these background papers are distributed ahead of the usual lead period. Questions can be addressed to Mr. Trott (extension 61326).

## Attachments

Distribution:

Mr. McNamara  
Mr. Stern  
Mr. Qureshi  
Mr. Chauffournier  
Mr. Sommers  
Mr. Pollan

cc: Messrs. Clarke o/r  
Trott

## OFFICE MEMORANDUM

TO: Mr. R.A. Clarke and Mr. P.N. Kaul

DATE: May 16, 1980

FROM: Nicholas G. Carter, Chairman, PPP Committee ~~CC~~SUBJECT: Final Report of the PPP Committee

Attached is the Final Report of the PPP Committee. I regret that it has taken longer than originally envisioned, however the issues are far more complex than had been expected. We felt it important that the Committee be able to examine the question of conversion of non-dollar comparator salaries far more deeply than had been done in previous committees. Even so, there remain several unresolved issues, one of which has resulted in our setting forth two proposals in this report.

Our recommendations can be summarized as follows:

1. That all comparator organizations in a particular country use the same conversion factor, specific to that country. Thus the practice of using U.N. post adjustment indices for multilateral organizations should be discontinued.
2. That the conversion factors used be a geometric combination of the actual exchange rate and a purchasing power parity rate.
3. That the purchasing power parity rate be derived from the I.C.P. 1975 binary indices, consumption component, updated using national consumer price indices.
4. That the purchasing power parity rate be either a comparator country weight index or a Fisher ideal index, depending upon which of the two proposals is adopted.

## Attachment

cc: Committee Members:

Messrs. M. Deppler, M. Knight, R. Rhomberg, IMF  
Messrs. K. Peters, J. Shilling, H. Wyss, IBRD

NGC/cl

JOINT BANK-FUND COMMITTEE ON  
PURCHASING POWER PARITIES

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FINAL REPORT

1. Following the recommendations of the Joint Committee on Staff Compensation <sup>1/</sup>(January 1979), a committee composed of staff members of the World Bank and the International Monetary Fund was formed in November 1979 to study the problems of converting salaries paid by foreign comparator organizations into U.S. dollar amounts of equivalent purchasing power and make recommendations for appropriate conversion factors to be used in the future.

2. A similar committee was convened in 1975. It presented recommendations that led to the current practice of converting the salaries of national comparators by means of index numbers taken from the International Comparison Project (ICP) conducted for the Bank and the U.N. by Professor Irving B. Kravis, and of international comparators by means of the U.N. post-adjustment indices. Although the Kafka Committee did not choose to comment on the suitability of this practice, it did point out that the methodology had been brought into question, not only for theoretical reasons but also as a result of a constantly changing environment in which the comparisons were being made; hence the formation of the present committee.

3. The present Committee consists of the following members:

WORLD BANK

N.G. Carter (Chairman)	Chief, Comparative Analysis & Projections Division
J.D. Shilling	Economist, East Asia & Pacific Department
H. Wyss	Assistant Director, Latin America Projects
R.K. Peters, Jr.	Researcher, Development Economics Department

INTERNATIONAL MONETARY FUND

R.R. Rhomberg	Senior Advisor, Research Department
M.C. Deppler	Assistant Chief, Current Studies Division, Research Department
M.D. Knight	Assistant Chief, External Adjustment Division Research Department

Messrs. Wyss and Knight represent their respective Staff Associations. Mr. Peters acted as staff assistant for the Committee.

4. The Committee met during the period December 1979 to April 1980. It was agreed that the Committee would restrict its attention to the issue of converting salaries paid at comparator organizations in the Federal Republic of Germany and in France and at the OECD and EEC into U.S. dollar amounts of equivalent purchasing power, i.e. to determine the best means of converting the salary of an employee in a comparator organization in France or Germany into its' purchasing power equivalent in U.S. dollars. In addition, the question of conversion of salaries of staff of international organizations residing in Western Europe was considered.

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<sup>1/</sup> Also known as the Kafka Committee



5. The Committee wishes to make it clear that our terms of reference, and thus our report, are strictly confined to the narrow, technical, issue of translating comparator salaries in France, Germany and at the OECD and the EEC, into U.S. dollar equivalents. We very explicitly have not dealt with several closely related issues. These are 1) the determination of appropriate salary levels such that the Bank and Fund can remain competitive in attracting high quality staff from Western European countries. 2) the appropriateness of conversion factors used for the Home Currency Scheme and the adequacy of existing provisions for expenditures on home leave. 3) appropriate conversion factors to be used for pensions and resettlement when staff members return to their home countries. All of these problems are intimately concerned with exchange rates and conversion factors, but all are outside of our terms of reference. The findings of this Committee should in no way be taken to imply judgements on these other related issues.

6. There is, unfortunately, no perfect or exact answer to the problem of converting comparator salaries. Differences in tastes between countries, differences in relative prices, differences between individuals and groups, difficulties of measurement, and problems of timely availability of data all contribute to making any solution at best an approximation which will meet the needs of the average, but cannot be guaranteed to fit each and every individual. As a consequence the Committee has been unable to agree on a single methodology, being divided between two alternative proposals, both of which are presented at the end of this report.

#### General Considerations

7. For purposes of international salary comparisons, the first and most direct measure is the use of the nominal exchange rate to convert salary quotations into a common currency. Such rates figure prominently in the calculations of all persons interested in salary comparisons, regardless of whatever other information is also taken into account. However, while readily accessible and easy to use, nominal exchange rates may often provide misleading indications of the relative purchasing power of different national currencies in their own national markets. Among major currencies, exchange rates are determined by relative interest rates, capital movements, rates of inflation and expectations about future magnitudes of these variables, as well as the relative prices of traded goods. In this era of floating exchange rates, these factors can lead to wide short-run variations in the exchange rates unrelated to the relative purchasing power of the currencies over comparable baskets of goods. However, the nominal exchange rate must have a weight in calculating any conversion factor used to determine salaries of equivalent purchasing power in different currencies. This is because the standard indices (including all the Committee has considered) are relevant only for conversion of that portion of an employee's salary that is spent on current goods and services. To the extent that market rates reflect interest differentials and expectations about future rates, they equate the real return to assets between two countries and are relevant conversion factors for that portion of salary which is not currently consumed.

8. For current consumption, the nominal exchange rate does not, in general, reflect the relative purchasing power of two currencies over comparable baskets of goods - both traded and non-traded - in their respective markets. It is

the relative purchasing power rate, usually referred to as the purchasing power parity (PPP) rate, that is required for comparisons of consumption baskets. There are, however, many difficulties associated with the calculation of such purchasing power parity (PPP) conversion rates. A first difficulty is practical - it is exceedingly difficult and time consuming to gather the necessary data on the prices charged for an acceptable number of comparable goods and services in the two countries. Average income levels and national "tastes" may differ substantially, which can lead to difficulties in selecting comparable goods and services. Income levels are roughly similar in the countries under consideration, however, and thus one does not face the problems of comparability of goods that occurs between countries of widely different income levels. It is in principle possible, therefore, to obtain ratios of U.S. dollar prices of selected items in the United States to the prices of corresponding items charged in marks in Germany and francs in France. Each of these ratios may be viewed as the PPP conversion rate for the specific item in question, and inevitably there will be differences in the PPP rates calculated for each pair of items.

9. This raises the second difficulty faced in PPP calculations: how should one average the item-by-item price ratios to produce a single composite PPP conversion rate? This question is crucial since the value of the composite PPP rate will very much depend upon the choice of weights used in calculating the average. Depending on the purpose of the contemplated conversion, various weighting systems could be appropriate, though none is generally appropriate. If the objective is to calculate the U.S. dollar equivalent of the deutsche mark salary of a German employee that would allow him to maintain his German consumption basket in Washington -- the appropriate methodology is to construct the composite PPP rate on the basis of weights that reflect the consumption pattern of the German employee in Germany. The calculated amount of U.S. dollars would enable him to buy in the United States the basket of goods and services representing his consumption pattern in Germany and he would be at least as well off as he was in Germany. If, on the other hand, the problem were to ensure that U.S. salaries be converted to deutsche marks at a rate sufficient to allow existing staff to purchase their current Washington basket of goods and services in Germany and be as well off, the appropriate PPP conversion rate would use weights reflecting the expenditure patterns in the United States.

10. Unfortunately the PPP rates calculated according to the weighting systems described above will generally not be equal. In other words a U.S. consumption basket priced out in Germany will be more expensive than the same basket in the U.S. Similarly, a German consumption basket priced out in the U.S. will be more expensive than the same basket in Germany. The PPP conversion rate chosen will depend on the objective of making the conversion. One solution which has often been proposed is to take the geometric mean of the two rates. This approach argues that the desired solution lies between the extremes and that taking an "average" provides a convenient solution. Sometimes referred to as the Fisher "ideal" index, the geometric mean has many convenient statistical properties. It also provides a single conversion rate for comparisons either way from the U.S. to Germany or from Germany to the U.S.

11. No country to country approach however is free from problems: the results from any three or more countries, taken pairwise, will generally not be consistent. For example, the rate calculated between Germany and the U.S. and that calculated between France and the U.S. will generally not be consistent with that calculated between France and Germany. A means of resolving this transitivity problem has been developed in the ICP project (by Kravis et al) whereby a "multilateral"

weighting system is estimated. This is the set of weights for a consumption basket which will simultaneously best satisfy all comparisons between all countries in all directions. Their original work, based on observations for 1970, covered 10 countries in this fashion, the 1973 work has extended this to 16 countries while work which is about to be published, referring to 1975, covers some 34 countries. These numbers are known as the "ICP multilateral" indices. The project also publishes pairwise country comparisons, not necessarily consistent with the multilateral ones, known as the "ICP binary" indices.

12. The Committee was not able to agree on the choice of weights to be used in constructing the conversion index. Some Committee members preferred the use of weights reflecting consumption patterns in the comparator countries. <sup>1/</sup> Others favored weights reflecting an average of consumption patterns in the comparator countries and in the U.S. (the so-called "ideal" index). <sup>2/</sup> The considerations underlying these preferences are outlined in the following paragraphs.

13. Those favoring the use of consumption patterns in the comparator countries (Proposal A) perceive the task of the Committee as one of determining the dollar value of a basket of goods typically bought with the comparator salary. Within the limits of available data, this basket can be best approximated by the consumption pattern of the comparator country. Although an employee of a comparator organization might, in time, alter his expenditure pattern if he came to Washington and were confronted with relative prices existing in that city, the actual expenditure pattern of all U.S. households cannot be assumed to represent this altered pattern of the visitor and is, therefore, not relevant for the purpose at hand.

14. The other members of the Committee hold the view that for the purposes of comparing salary levels between two countries, the Fisher "ideal" index is the appropriate method for calculating a conversion factor (Proposal B). The "ideal" index provides the best approximation for a conversion factor which allows one to make a single-valued (unique) comparison of the command over comparable goods and services represented by the comparator salaries in their national markets. These members believe that this is the object of the salary comparisons rather than attempting to replicate the consumption basket of one country in another country's market (which does not produce unique comparisons). Under certain assumptions about the underlying consumption behavior of the groups involved, it can be shown that the geometric mean would provide an exact answer to the problem the Committee is examining.

15. The Committee is in agreement that any salary conversion factor should be a weighted index constructed from the market exchange rate and a suitable PPP index reflecting current consumption. The weight that is to be given to the nominal

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<sup>1/</sup> Messrs. Rhomberg, Deppler and Knight - we shall refer to this as "Proposal A"  
<sup>2/</sup> Messrs. Carter, Shilling and Wyss - we shall refer to this as "Proposal B"

exchange rate must be based on an analysis of the appropriate basket that should be used to obtain salaries of equivalent purchasing power in different currencies. From a theoretical point of view, this basket should include all items on which an average salary is spent, in proportions relevant to the "representative" salary earner in the group. Unless the representative employee, in a comparator organization has an average propensity to save of zero, this basket must include both current goods and (real and financial) assets. PPP indices, which are based on baskets composed of goods and services only, can be used as the conversion factor for that portion of a representative salary that is spent on consumer goods and services, since these indices are estimates of the exchange rate that makes the cost of such an expenditure basket the same in two currencies. In the same way, the nominal exchange rate (provided the exchange market is operating efficiently) is the rate that equates the expected yields on assets denominated in two different currencies. Thus the market exchange rate is the appropriate conversion factor (the "PPP" rate) for that portion of a salary that is saved, and the weight given to the nominal exchange rate in salary conversions should reflect the average propensity to save of a representative employee in a comparator organization. 1/ 2/

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Footnotes to Para. 15.

- 1/ Mr. Wyss wishes to make the following clarification: as discussed and agreed by the Committee (i) the recommended inclusion of a conversion factor (equal to the market exchange rates) for the portion of the salary which is saved, is designed to provide, in conjunction with the PPP index applicable to consumption expenditures, a satisfactory basis for salary comparisons between comparators in different countries, and (ii) this salary comparison (applicable to all staff in Bank and Fund) does not constitute a contribution to specific costs which Bank/Fund staff from different home countries are exposed to and to which the home currency option scheme is addressed.
  
- 2/ Additional importance might also be attached to the market exchange rate because it would seem to be relatively free from certain biases that affect PPP indices. In the first place, PPP exchange rate indices implicitly assume that while inflation rates may differ internationally, the inflation differential between the two countries that are being compared is constant over time. If for example absolute price levels in Germany and the United States are such that the PPP exchange rate is \$1 = DM 2.67, while the market rate is \$1 = DM 1.83, these calculations implicitly assume that the DM is over-valued and will gradually fall toward the PPP level. However, if the inflation rate in the U.S. is currently accelerating while that in Germany is slowing down, the PPP calculation may systematically undervalue the DM relative to the dollar in this case. On balance, an acceleration of inflation in the U.S. relative to Germany would be more likely to be taken into account in a depreciation of the market rate for the dollar, a hypothesis which might explain the apparent systematic direction in the divergence between the market and PPP exchange rates that are given in Para. 23). A related point is that since all the PPP indices are statistical constructs based on published price data, they are essentially "backward-looking". By contrast, the market exchange rate incorporates not only past published information, but also perceptions and expectations about current trends such as, for example, a change in the differential between the U.S. inflation rate and that in Germany. This "forward-looking" aspect of the market rate could help to take account of price changes that may occur in the interval between the time income is earned and when it can be spent.

### Current Practice

16. Before reviewing the conversion indices available, the Committee looked at the methods currently used for conversion of comparator salaries into U.S. dollars by the Bank and the Fund. For the conversion of the salaries of employees in national comparator organizations, the practice is to use the ICP multilateral conversion factors, updated on the basis of changes in the U.S. consumer price index relative to that of the comparator country. For the conversion into U.S. dollars of salaries of international organizations in non-U.S. locations, the current practice is to use the U.N. post adjustment indices, chained to Washington via New York. The practice uses weights on the consumption patterns of U.N. employees with prices estimated at regular intervals by the U.N.

### The Alternatives

17. a) The real exchange rate: This measure assumes that there is some identifiable equilibrium period when the nominal exchange rate represents a true PPP conversion factor. Once this base period is determined, subsequent real exchange rates are calculated by adjusting the base period nominal rate by relative movements in the consumer price indices in the countries in question. The fundamental difficulty with this method is the identification of the equilibrium base period, which becomes an almost arbitrary selection that does not lend itself to objective justification. Although the method of "advancing" a conversion factor on the basis of relative movements in national CPIs faces the problem that CPIs in different countries include different goods, it is the only practical technique for keeping any PPP-based conversion factor current in the intervals between recalculation of the factor, and it is used for this purpose with the other conversion factors considered.
- b) The PPP-based conversion rates. These measures all purport to calculate a conversion factor which equates the purchasing power of two currencies. While they differ in detail, all of them may be viewed as weighted averages of item-by-item price relatives (as described in paragraph 8). It might also be noted that the indices considered below all provide cost of living comparisons among many more cities and/or countries than required for present purposes. The emphasis here is on the distinguishing features of these various indices as they specifically bear on the Committee's task of converting salaries of comparator organizations in France and Germany (and, in the second instance, the EEC and the OECD) into U.S. dollar amounts of equivalent purchasing power. The following indices were considered:
- (i) The U.N. post adjustment indices: These indices are intended to compensate U.N. staff for differences in the cost of living between New York and the "post" in question. Purchasing power in a base year is assessed with the help of detailed price information collected by the responsible U.N. unit as the basis of U.N. staff expenditure baskets in the different locations. These "base year" indicators are kept current by changing them in line with relative movements in the national consumer price indices, or by special price surveys if the local CPI is deemed inappropriate.

- (ii) The U.S. Department of State indices. These measures are primarily intended to be used in connection with cost of living adjustments to the salaries of U.S. Government employees based in Washington, D.C., but assigned overseas. The weights reflect, therefore, the expenditure pattern "of an American Government employee living in Washington". The calculations do not include housing allowances. Unlike most of the other series, these indices are recalculated each year from newly collected basic price data, rather than maintained on the basis of movements in the national consumer price indices.
- (iii) The "Wiesbaden" indices. These indices are calculated by the German Federal Government Statistical Office to provide a basis for cost of living adjustments to the compensation of Germans working abroad. The calculations are done for most of the major cities of the world. The base year calculation (which for Washington, D.C., is May 1973) involves the collection of local price data for 500 to 600 consumer items that are judged to be comparable to the corresponding set of items collected for Germany. These price relatives are then averaged using two alternative sets of weights: one set reflects the average expenditure pattern of all German households and the other is the set of weights used in the U.S. consumer price index for the goods included in the index. The calculations yield, therefore, two PPP conversion rates reflecting German and U.S. expenditure patterns, respectively. The base-year calculations, which do not include housing, are updated by reference to the relative development of the two national consumer price indices.
- (iv) The ICP (Kravis) indices. These indices are the by-product of research efforts intended to improve the international comparisons of real product and purchasing power generally; they are not specifically prepared to be used in connection with compensation matters. Nevertheless, many aspects of this work are quite relevant in the present context, particularly those pertaining to consumption. (The most aggregate numbers in the Kravis studies, which are also those used in previous Bank-Fund compensation studies, refer to gross domestic product, which was considered by the Committee to include items - government expenditures and investment -- of limited relevance to salary comparisons). The ICP researchers also calculate two different types of PPP rates equating purchasing power vis-a-vis U.S. consumption on the basis of (i) the "national" consumption pattern, the U.S. consumption pattern and the "ideal" index of the two and (ii) implicit multilateral or international weights (see paragraph (11) above). The first rates reflect, therefore, bilateral (or "binary") comparisons, while the second is based on "multilateral" comparisons. The most recent calculations pertain to 1975 and any updating would have to use relative movements in the national consumer price indices for subsequent years. The ICP calculations appear to have the broadest coverage of goods and services of all the indices examined.

- (v) The O.R.C. indices. These are prepared by a private U.S. firm (Organization Resources Counselors, Inc.), for sale to multinational corporations, which use them in conducting their compensation policies for employees working abroad. These indexes appear to be similar to the U.S. Department of State calculations, except that the commodity coverage is broader (and includes housing) and that the weights reflect an "executive basket". The Committee has only looked at the U.S. weighted O.R.C. indices. O.R.C. has also begun to construct indices with non-U.S. weights. These were not available at the time of our study, but we suggest they be looked at in the future.

#### Recommendations

18 Virtually all the PPP indices discussed above were designed for the purpose of compensating employees who are moved, for an inherently temporary period of time, to a foreign post. Certainly the U.N. post adjustment, the U.S. and the O.R.C. indices can be so categorized. This objective is quite different from ours, which does not involve moving any employee either to or from Washington, but rather seeks to find the proper compensation for employees of both our organizations when compared to employees in other organizations, specifically in France and Germany. Therefore, these indices were rejected for our purposes. The Wiesbaden index comes closer to our needs as it presents both extremes (the German weight and the U.S. weight), however, its coverage appears to be more limited than that of the ICP indices. Moreover, it is based on a period (May 1973) which is significantly out of date. Furthermore, as there is no French equivalent, the adoption of the Wiesbaden index would create a significant lack of uniformity and an inconsistency of practice. On the other hand, it appears that: 1) the Wiesbaden indexes reflect PPP comparisons among capital cities (rather than countries, as in the ICP), and 2) the Wiesbaden indexes are based on prices which are more likely than the ICP prices to accurately reflect the cost of a German basket in Washington. In view of the significant interest in this index, we present the 1979 values of the Wiesbaden index (Base weights and U.S. weights form) for reference purposes.

19. The Committee judges the current practice of converting international organization salaries with the U.N. post index to be very questionable. It would be legitimate to use it when considering U.N. employees stationed in European posts as comparators, however the proper comparison for U.N. salaries is New York, where the currency is already dollars and thus the comparison can be made directly. The assumption that other international organizations located in Europe and not paid in dollars can be translated via the U.N. post index is in our opinion incorrect. Unless there is compelling evidence to suggest that employees in the OECD in Paris and the EEC in Brussels are in fact compensated in accordance with the U.N. post indices for those cities, the grounds for using such conversion factors are very weak. The salaries of these two organizations should be translated at the same rate as national organizations.

20. The Committee recommends that for all organizations (national and multi-lateral) in France, Germany and Belgium, an index be constructed which is a geometrically weighted combination of the actual exchange rate (averaged over a full year) and a PPP rate for the same year. The weight given to the actual exchange rate should reflect the average propensity to save out of personal income characteristic of the comparators in question. The Committee is divided between two different proposals concerning the appropriate PPP rate to be used.

a. Proposal A.

Those favoring an index using weights reflecting the expenditure pattern in the comparator country 1/ propose the use of the "base-weighted ICP indexes" for France and Belgium, since there are no alternatives for these countries. For Germany, on the other hand, a choice needs to be made between the ICP and Wiesbaden indexes. The choice is a difficult one, it is not obvious which of the two indexes is preferable on a priori grounds<sup>2/</sup> The choice is further complicated by the fact that the two indexes yield quite different results<sup>3/</sup> Nevertheless, in light of the pressure of time and the desirability of maintaining some consistency of treatment across countries, we suggest the use of the ICP indexes for the conversion of 1980 comparator salaries. We strongly urge that the differences between the two indexes be studied further so that a more informed determination might be made in the future.

b. Proposal B.

This proposal states that the appropriate PPP rate is the Fisher ideal index calculated from the ICP binary data 4/ for all countries. The choice of the ICP index is based on its more comprehensive coverage and post 1973 base in constructing weights. The preference for the ideal index derives from the interpretation that the objective is to compare salary levels of similar staff in different countries. By taking the geometric mean of foreign and U.S. market basket weights, this index provides the best approximation for a conversion factor which will express both salary levels in a single currency unit and will represent their relative command over similar baskets of goods in their national market. (Thus one would get the same relative evaluation of salaries whether one were making the comparison in DM or \$, which seems essential to the idea of making a comparison).

21. The differences between the two proposals are in part technical ones that cannot be resolved with the information currently available to the Committee and in part differences in interpretation of the terms of reference. The results of both proposals are presented at the end of the report. Our reason for preferring the binary over the multilateral is based on the consideration that it is specific countries we are considering, on the fact that we do not need a consistent France-Germany comparison, and on the fact that the theoretical foundations of the multilateral indices are still the subject of further discussion and investigation. Finally, it should be noted that the ICP multilateral indices comprehend a wider group of countries than we are considering. We would propose however that any future group charged with evaluating conversion factors focus more attention on the ICP multilateral indices than we were able to do.

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1/ See para. 13 above  
2/ See para. 18 above  
3/ See para. 23 below  
4/ Consumption component



22. The recommendations of the Committee can be summarized in the formula:

$$CR = E^a B^b C^c$$

where:

CR is the conversion rate  
E is the nominal exchange rate  
B is the PPP index with comparator country expenditure weights  
C is the PPP index with U.S. expenditure weights

and a, b, and c are geometric weights summing to 1.0.

The value of "a" depends on the comparator's average propensity to save out of personal income. Given that this feature of our proposal was decided upon fairly late in our deliberations, and given the time schedule for presenting this report, the Committee has not been able to research this parameter as thoroughly as would be desired. For purposes of illustration we use a value of 0.25 for "a", this being the average propensity to save out of personal after tax income decided upon by the Home Currency Expenditure Working Group in 1979.<sup>1/</sup> The values of "b" and "c" depend on the proposal adopted and on the value of "a" that is used. Under Proposal A (with "a" = 0.25) the value of "b" is 0.75 and of "c" is 0.0. Under Proposal B (with "a" = 0.25) the values of "b" and "c" are both 0.375.

<sup>1/</sup> This figure should not be interpreted as being a recommendation of our Committee. It should first be pointed out that our Committee is considering conversion factors which are to be used for the translation of "professional level" salaries in comparator organizations. Thus the relevant savings propensities need to refer to above-average income brackets. Evidence from Germany (Budgets ausgewählter Haushalte (1978) in Wirtschaft und Statistik 5/79 pp. 365-73) suggests that for households with net incomes equivalent to \$22,000 savings rates may be at least 25%. Evidence for the U.S. (U.S. B.L.S. Consumer Expenditure survey (1972-73) (Bulletin 1992, table 1)) shows that for families with "pre tax incomes of \$25,000 and over", apparent rates of non-consumed income were considerably above 25%. We would also expect for higher salaries in both countries that savings rates would be even greater. However, both sets of data need to be interpreted more carefully and care should be taken to see that savings is properly defined. The inclusion or exclusion of such items as involuntary pension contributions, health scheme payments, and charitable contributions can make large differences in the calculated savings rates.

23. With respect to Calendar 1979 the recommendations of the Committee imply the following conversion rates (assuming "a" = 0.25):

GERMANY

Proposal A	<u>2.34 DM/\$</u>
Proposal B	<u>2.43 DM/\$</u>

Memo items:

Actual Exchange rate	1.83 DM/\$
ICP German weight	2.54 DM/\$
ICP U.S. weight	2.80 DM/\$
ICP Fisher "ideal"	2.67 DM/\$
Wiesbaden German weight	2.15 DM/\$
Wiesbaden U.S. weight	2.85 DM/\$
Proposal A using Wiesbaden	2.07 DM/\$
Current Practice - ICP multilateral <sup>1/</sup>	2.92 DM/\$

FRANCE

Proposal A	<u>4.73 F/\$</u>
Proposal B	<u>5.02 F/\$</u>

Memo items:

Actual Exchange Rate	4.25 F/\$
ICP French weight	4.90 F/\$
ICP U.S. weight	5.75 F/\$
ICP Fisher "ideal"	5.30 F/\$
Current practice-ICP multilateral <sup>1/</sup>	5.35 F/\$

BELGIUM

Proposal A	<u>34.83 F/\$</u>
Proposal B	<u>36.57 F/\$</u>

Memo items:

Actual Exchange Rate	29.32 F/\$
ICP Belgian weight	36.89 F/\$
ICP U.S. weight	41.99 F/\$
ICP Fisher "ideal"	39.36 F/\$
Current practice-U.N.Post Index Brussels-Washington	47.00 F/\$

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<sup>1/</sup> 1973 base

24. In the limited time available to the Committee we have investigated the difficult question of comparator conversion far more thoroughly than was possible in our predecessor committee in 1975. Nevertheless, there are many areas in which we are in agreement that significant work remains to be done. In anticipation of the next committee that is asked to look at the comparator conversion question we would like to suggest a number of specific studies which should be carried out. First, the Wiesbaden indices appear to be potentially useful, but we know far too little about their construction. We are puzzled by their significantly wider spread (as compared to the ICP binaries) and by their significantly lower DM/\$ rate. We would have expected a priori that the Wiesbaden indices would be very similar to the ICP indices. Second, more work needs to be done on the appropriateness of the ICP binary as compared to the ICP multilateral indices. While this Committee agrees that for the present the binary indices should be used, a view was expressed that in the longer run the appropriate methodology would be the multilateral indices. Third, the question of the magnitude of average savings out of personal after tax income was not explored very thoroughly, nor was the precise definition of what would constitute savings agreed upon. Finally, the fundamental disagreement in the Committee as to whether the comparator country weights or the "ideal" index is the appropriate answer to the question before us is in one sense a matter of judgement about our terms of reference but in another sense an area which needs to be thoroughly explored in a purely technical paper.

## VIEWS ON PURCHASING POWER PARITY RATES

Item	BANK		FUND	
	Committee Members	Administration	Committee Members	Administration
1. The expenditure "basket" to be used.	The geometric mean of French or German and US baskets. (Fisher)	Agree. (i) The two "extremes" are the home country basket (Laspeyres) and the US basket (Paasche). Each of them is the boundary of viable indices. Laspeyres assumes no change in home country consumption pattern and Paasche assumes a complete change to US consumption patterns. Neither seem realistic, hence the mean of the two is generally accepted by index number economists. (ii) The survey is concerned to establish the relative worth of comparator and Bank compensation on a common base, not to establish what is necessary to pay to make it attractive to move to Washington. Survey data provide the basis for deciding on the latter.	The French or German basket (Laspeyres)	Agree. Base or home country is best measure: (i) this is what it is necessary to pay someone transferred to Washington to give him exactly same consumption pattern as at home. (ii) cannot assume any changes in consumption pattern.
2. The index to be used.	The ICP (Kravis) bilateral numbers for national organizations, the EEC and OECD. UN post index only for UN.	Agree, although some dichotomy in treatment of UN and European internationals. Opposed to Wiesbaden index on grounds: (i) inconsistency of treatment of German and French data since no comparable index available for France. (ii) Wiesbaden index does not include housing. (iii) Wiesbaden base date of 1973 more out of date than ICP(1975).	As Bank Committee except that Wiesbaden Index should be studied further.	Strong preference for use of Wiesbaden Index for Germany. Essentially because: (i) suggested by Fund German ED. (ii) gives "better" results. Wishes to study further.
3. Application.	Agree in principle on consumption/savings split. (see Fund Committee column)	Both NER and PPP rates are approximations in measuring relative worth of comparator pay. Prefer a PPP rate which gives "100% US base," primarily on practical grounds: (i) application of NER to 25% of comparator pay confuses the base (and basis) for measures which may be more precisely geared to Bank expatriate problems e.g. some form of currency protection for home expenditures, initial value of pensions, etc. Also, conceptually: (ii) assumption that NER is correct for savings is illusory on several grounds, e.g. NER does not reflect prices of non-traded items; the international exchange market is not perfect; is short term, etc. (Propose to maintain flexibility on this issue in interest of reaching agreement on total package with all other parties).	Apply PPP rate to 75% and nominal exchange rate (NER) to 25% of comparator pay on assumption latter is savings for which NER more appropriate.	Apparently accept consumption/savings split.

Percent reduction in German and French  
Comparator pay when applying PPP  
rather than nominal exchange rate

Calendar 1979 averages

	<u>Germany</u>		<u>France</u>	
	<u>Exchange Rate</u> <u>DM</u>	<u>% reduction</u>	<u>Exchange Rate</u> <u>F</u>	<u>% reduction</u>
Actual	1.83	-	4.25	-
Proposal A (Fund Committee)	2.34	-22	4.73	-10
Proposal B (Bank Committee)	2.43	-25	5.02	-15
ICP Fisher (Bank Admin.)	2.67	-31	5.30	-20
Proposal A using Wiesbaden (Fund Admin.)	2.07	-12	as Proposal A	-

October 1979-March 1980


Actual	1.84		4.25	
ICP Fisher (Bank Admin.)	2.56	-28	5.29	-20

Compensation Department  
JRWT:am  
July 22, 1980

# OFFICE MEMORANDUM

TO: Members of PMC

DATE: August 28, 1980

FROM: Martijn J.W.M. Paijmans 

SUBJECT: Personnel Management Committee Meeting - September 4, 1980

The following topics are suggested for the Agenda of the September 4 meeting at 2.00 p.m.

## Compensation Matters

### Mid-Year Adjustment:

- consideration of draft Board paper (attached);
- should the matter be referred to Board Committee on Staff Compensation Issues?

Consumer Price Index Movements

	<u>Washington D.C.</u>			<u>National Average</u>		
	Index	% Increase	% Increase Cumulative	Index	% Increase	% Increase Cumulative
<u>1980</u>						
Feb	235.4	-	-	236.4	-	-
Mar	238.8	1.44%	1.44%	239.8	1.44%	1.44%
Apr	-	-	-	242.5	1.13%	2.58%
May	241.2	1.01%	2.46%	244.9	0.99%	3.60%
Jun	-	-	-	247.6	1.10%	4.74%
Jul	247.2	2.49%	5.01%	247.8	0.08%	4.82%

1/ Interpolated (January 231.9, March 238.8)

2/ High Increase foods and moderate increases in other items offset by decline in housing mortgages.

Wholesale Price Indices (Seasonally Adjusted)

	Jan - June 1980 Cumulative	July 1980 (Actual)
Foods	-1.4%	+3.8%
Other Consumer Goods	+7.3%	+0.9%

R. A. Clarke  
August 25, 1980

MEMORANDUM TO THE EXECUTIVE DIRECTORS

Subject: Staff Compensation: Interim Salary Adjustment

1. This memorandum proposes for the consideration of the Executive Directors an interim salary adjustment to be effective September 1, 1980 in view of the continuing higher than expected rate of price inflation in the Washington area.
2. Following a rise of 11.7% over the twelve months March 1979 - February 1980, the Washington Consumer Price Index rose by 5% over the five months March-July 1980, the rate of increase in June and July (2.5%) being more than double the rate in April and May. There are strong indications that this high rate of increase will continue in the immediate future - the seasonally adjusted Wholesale Price Index for foods, which had shown a slight decrease over the preceding six months, rose by 3.8% in July whilst the Index for other consumer goods continued its earlier rise of about 1% per month. The impact of these latest increases in wholesale prices is still to be reflected in the Consumer Price Index. Thus it is most unlikely that the rise in the cost of living over the six months March-August 1980 will prove to be less than 6.25%.
3. The prevailing rate of inflation in the United States has led UN New York, at the instance of the International Civil Service Commission, to depart from its long standing practice of reviewing General Services (the equivalent of Bank levels A-I) salaries only once a year. Henceforth there will be an immediate and automatic adjustment equivalent to 90% of the rise in the cost of living whenever this amounts to 5% or more since the preceding adjustment. In accordance with long standing practice, UN professional staff salaries will continue to be adjusted by a percentage equivalent to approximately 80% of the rise in the cost of living whenever this amounts to 5% since the last



adjustment and remains at or above that level for four months. A summary of the general practice as regards salary adjustments of other organizations in the Bank's comparator countries is shown at Annex 1. As will be seen, pay increases of both French and German comparators provide for real income growth (and in France, where the inflation rate is comparable to that in the US, are usually made quarterly) whilst both EC and OECD adjust salaries semi-annually.

4. We believe that the continuing higher than expected rate of inflation, warrants action by the Bank at this time. We, therefore, recommend an interim salary adjustment for all Headquarters staff, effective September 1, 1980, midway in our present review year, of 5%, equivalent to 80% of the projected price level rise between February and August 1980, and that it be given in the form of an interim salary supplement outside the salary structure. The supplement would be pensionable and applied to the calculation of overtime pay, shift differentials, contributions and benefits under the Staff Retirement and Insurance Plans. Pending the outcome of the Hay survey, the salary ranges would not be changed and January 1981 merit increases would be granted on the basis of present salaries and salary ranges.

5. The interim increase would not prejudice decisions to be taken in the light of the Hay survey, should the survey show present compensation levels (i.e. as of March 1, 1980) to be too high in any respect. If that should occur, we would intend, in keeping with the general practice in such circumstances, that new staff be paid the appropriate market related salaries from the outset and necessary adjustments for existing staff be phased over a period of years.

6. The cost of the interim adjustment now proposed, including salary related costs, is estimated at:

	<u>Full Year Cost</u>	<u>FY81 Cost</u>
	\$	\$
Bank	12,600,000	10,500,000
IFC	930,000	775,000

7. We understand that the Managing Director is making the same recommendation to his Executive Board<sup>1/</sup>.

8. Accordingly, we recommend that the Executive Directors approve an interim salary adjustment of 5% for all Headquarters staff effective September 1, 1980 as proposed at paragraph 4 above.

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<sup>1/</sup> Subject to amendment in the light of consultations with IMF

General Salary Adjustment Practices  
(other than increases related solely to merit)

<u>Organization</u>	<u>Basis for Adjustment</u>	<u>Frequency of Increases to Staff</u>
US private sector comparators	<ol style="list-style-type: none"> <li>1. Competitiveness in relation to other leading employers</li> <li>2. Economic factors, including ability to pay</li> </ol>	Once a year on individual performance basis
US Civil Service	Comparability with generality of US private sector (may be distorted by weighting in favor of lower paid or incomes policy considerations)	Once a year
French public & private sector comparators	Real income growth target agreed in advance (at senior levels comparability may be taken into account and considerations of income distribution or general incomes policy apply)	Usually Quarterly with adjustments in final quarter if necessary to attain target. Semi-annually in some private comparators
German public & private comparators	Industry by industry negotiations Emphasis on productivity and ability to pay (for past several years has resulted in significant real income gains)	Once a year (retroactively to January 1)
UN: Professional staff	Price level change	Automatic whenever price levels increase by 5% and remain at or above 5% for four months % increase equivalent to 80% of price level change
UN New York: Support staff	<ol style="list-style-type: none"> <li>1. Survey of leading local employers</li> <li>2. Price level change (introduced February 1980)</li> </ol>	<ol style="list-style-type: none"> <li>1. Annual</li> <li>2. Automatic and immediate whenever price levels rise by 5%. % increase equal to 90% of price level change</li> </ol>
OECD	<ol style="list-style-type: none"> <li>1. Weighted average movements in real terms in selected member country civil services (no comparison of pay levels)</li> <li>2. Price level change</li> </ol>	<ol style="list-style-type: none"> <li>1. July 1 adjustment in line with civil service real pay movements</li> <li>2. January 1 full six-month COL offset</li> </ol>
EC	Similar to OECD except different member country civil services (excludes Canada, USA)	As for OECD
Compensation Department		

Comparable Matches Identified for Bank:  
Kafka (Hewitt) and Hay Surveys

	<u>Kafka (Hewitt)</u>	<u>Hay</u>	<u>% increase</u>
<u>1/</u>			
<u>A-I Positions</u>			
Public	18	60	
Private	<u>15</u>	<u>50</u>	
Total	<u>33</u>	<u>110</u>	233
<u>2/</u>			
<u>J-Q Positions</u>			
US:			
Public	13	90	
Private	<u>193</u>	<u>240</u>	
Total	<u>206</u>	<u>330</u>	60
France: <u>3/</u>			
Public	-	50	
Private	<u>38</u>	<u>110</u>	
Total	<u>38</u>	<u>160</u>	320
Germany:			
Public	15	70	
Private	<u>15</u>	<u>200</u>	
Total	<u>30</u>	<u>270</u>	800

- 
- 1/ All positions evaluated and accepted by Committee
- 2/ Number may be reduced somewhat if Evaluation Committee does not accept as comparable
- 3/ Awaiting data on 5 organizations - expected final total approximately 220 (480% increase)

Compensation Department  
 August 26, 1980

COMPENSATION STUDIES

Schedule as of 8/29/80

	<u>VP</u> <u>Review</u>	<u>PMC</u> <u>(Guidance)</u>	<u>Consultations</u> <u>S/A</u> <u>IMF</u>		<u>PMC</u> <u>(Decision)</u>	<u>Board</u> <u>Paper</u>	<u>Committee</u> <u>Discussion</u>	<u>Board</u> <u>Decision</u>
<u>MAIN REVIEW</u>								
Purchasing Power Parity	July 24	August 5	Aug.11-30	Mid-Sep.	Oct. 7	Oct.10	Oct.15-22	-
Compensation Policy Issues:								
Review of options papers for release (no views)	Sep.26-Oct.8	-	Sep.26-Oct.8	-	Oct.14	Oct.17	-	-
Consideration of options:								
Choice of Market)	Sep.26-Oct.8	Oct.14-21 <sup>2/</sup> )						
Pitch )		)						
Expatriation )		)	Nov - Dec		Jan.13 <sup>2/</sup>	-	Nov-Dec	-
Intervening yrs.)	Sep.26-Oct.22	Oct.21-28 <sup>2/</sup> )						
Salary administr.)								
Dep.Allowance )								
Language Premium)								
HAY survey report distribution <sup>1/</sup>	← JAN. 30 →							
Implications of data	Jan.30-Feb.4	Feb.10	Feb.11 - 20		Feb.24	Feb.26	March 2-6	-
Range of options for action eff. 3/1/80	Feb.15-Mar.2	March 10 <sup>2/</sup>	March 11 - 31		April 7 <sup>2/</sup>	April 9	April 13-24	-
Formulation of recommendations for action eff. 3/1/80	Mar.15-Apr.20	April 28 <sup>2/</sup>	May 1 - 12		May 19 <sup>2/</sup>	May 21	May 25-June 5	June 18
<u>OTHER STUDIES</u>								
Social Security	August 29	Sept.10	Sep. 11 - 30		Oct. 7	Oct.10	Oct.20-24	Nov. 4
Staff Retirement Plan: TOR	June 30	July 7	August - Sept.		Oct. 7	Oct.10	Oct.20-24	-
Study <sup>3/</sup>	?	?	?		?	?	?	?

<sup>1/</sup> Survey Schedule attached.

<sup>2/</sup> More than one meeting may well prove necessary.

<sup>3/</sup> Timetable for study dependent upon scope of terms of reference and choice of consultant.

Compensation Department  
 larke:ean  
 August 25, 1980

1980 COMPENSATION SURVEY SCHEDULE

PHASE	1980												1981
	JAN	FEB	MAR	APR	MAY	JUNE	JLY	AUG	SEP	OCT	NOV	DEC	JAN
<b>1. BANK POSITIONS</b>													
Incumbent Intervws.	*****	████████											
Position Descripts.	*****	████████											
Evaluation		*****	████████										
<b>2. QUESTIONNAIRE</b>													
Preparation		*****	████████										
Short Descripts.				████████									
Issue: A-I				██		██							
J-N (US)				██		██							
Translation		██	██		██								
Issue: J-N (Eur.)				██		██							
<b>3&amp;4 JOB MATCHING</b>													
Visits: A-I				██		██							
J-N (US)				██		██							
J-N (Eur.)				██		██							
Evaluation: A-I				██		██							
J-N						████████	████████	████████	████████	████████	████████	████████	████████
<b>5. DATA COLLECTION</b>													
A-I							████████	████████	████████	████████			
J-N (US)							████████	████████	████████	████████			
J-N (Eur.)							████████	████████	████████	████████			
<b>6. DATA ANALYSIS</b>													
Benefits Methodology		██	██	██		██	██	██	██	██	██	██	██
*J-N Comparisons:pay									████████	████████	████████	████████	████████
Benef									████████	████████	████████	████████	████████
Total									████████	████████	████████	████████	████████
Expat									████████	████████	████████	████████	████████
*A-I Comparisons:pay										████████	████████	████████	████████
Benef										████████	████████	████████	████████
Total										████████	████████	████████	████████
<b>7. REPORT</b>													
Draft										██			██
Final													██

\*Original schedule combines J-N and A-I.

Legend

- \*\*\*\*\* Original schedule
- ████████ Actual Completed
- ████████ Projected schedule

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8/25/80