

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date Feb. 2, 1950

To Gov. Eccles

From M. S. Szymczak

MESSAGE:

CONFIDENTIAL

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

BOARD OF GOVERNORS

SECOND REPORT
OF THE AD HOC COMMITTEE
TO CONSIDER PROVISIONS RELATING TO
DUTIES AND REMUNERATION OF EXECUTIVE DIRECTORS

Washington, D. C.
January 27, 1950

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

AD HOC COMMITTEE OF THE BOARD OF GOVERNORS

Second Report on the Provisions of the Articles of
Agreement and By-Laws of the Bank relating to the
Duties and Remuneration of the Executive Directors
and their Alternates

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January 27, 1950

AD HOC COMMITTEE OF THE BOARD OF GOVERNORS

Second Report on the Provisions of the Articles of Agreement and By-Laws of the Bank relating to the Duties and Remuneration of the Executive Directors and their Alternates

1. The Report, dated September 13, 1949, of the Ad Hoc Committee which was submitted to the Board of Governors at the Fourth Annual Meeting, was referred to the Board's Committee on Organization and Administration. This Committee reported that certain Governors were of the opinion that the Report should be amended to provide that an Executive Director and his Alternate should both be permitted to serve on a full-time basis when representing three or more countries.
2. After considering this report of the Committee on Organization and Administration at the Fourth Annual Meeting, the Board of Governors adopted the following resolution:

"RESOLVED:

THAT the membership of the Ad Hoc Committee appointed at the Third Annual Meeting of the Board of Governors be increased by the appointment of two Governors to be designated by the Chairman of the Board of Governors; and

THAT the Ad Hoc Committee continue its deliberations under its terms of reference and report thereon to the Board of Governors at or before its Fifth Annual Meeting."

3. Pursuant to this resolution, the Chairman of the Board appointed, on September 16, 1949, the Governors for Iran and Uruguay as the two additional members, and proposed that those interested send their views on this matter to the Ad Hoc Committee through the Secretary of the Bank.
4. On September 23, 1949, the Ad Hoc Committee sent copies of its above-mentioned Report to all member Governments, requesting that they forward to the Secretary, not later than January 1, 1950, such comments as they might have.
5. The Ad Hoc Committee met from January 24 to January 27, 1950, to review the replies received and to give further consideration to its report and recommendations.
6. The Committee, on examination of the replies received, finds that:
 - (a) nine countries support the Report;
 - (b) nine countries desire amendment of the Report along the lines proposed at the Fourth Annual Meeting;
 - (c) one country supports the existing system;
 - (d) two countries make other comments;
 - (e) two countries promise comments which have not yet been received;
 - (f) eleven countries have no comments to offer;
 - (g) fourteen countries have made no reply.

7. In addition to examining the replies received, the Committee also consulted again with the Executive Directors and President of the Bank.

8. The Committee has taken cognizance of the views expressed and has noted the belief of a number of member countries that an Executive Director representing several countries may have need for an Alternate serving simultaneously with the Director on a full- or part-time basis. The Committee recognizes that other special circumstances may also warrant such service of an Alternate. While maintaining its previous unanimous conclusions, concurred in by the Committee's two new members, the Committee, after further deliberation, considers it desirable to make provision whereby, under special circumstances, an Executive Director who, after consultation with the President, advises the Bank that the performance of his duties so requires, should be able to arrange that his Alternate serve simultaneously with him on either a full- or part-time basis. Such arrangements would be reported to the Board of Governors. Executive Directors should terminate such arrangements when the need no longer exists.

9. With regard to the frequency of meetings, the Committee notes that the Executive Directors of the Bank are following the suggestion made by the Committee in its Report of September 13, 1949 and are now holding their regular meetings at monthly intervals. The Committee considers that the frequency of the regular meetings may, for the future, be left to be dealt with by the Executive Directors and the President of the Bank.

10. The Ad Hoc Committee, therefore, amends its first Report of September 13, 1949 by making the amendments shown in Appendix A hereto, as incorporated in the attached amended Recommendation and Annex which the Committee recommends to the Board of Governors for approval.

11. It is recommended that the Ad Hoc Committee's Report of September 13, 1949, modified as aforesaid, become effective at the next regular election of Executive Directors to be held during the Fifth Annual Meeting in September 1950.

RECOMMENDATION

68. The Committee recommends the following proposal for approval by the Board of Governors.

Proposal

69. (a) Each country or group of countries appointing or electing an Executive Director would be represented generally by the Executive Director with the Alternate appearing only occasionally, or by the Alternate with the Executive Director normally appearing at meetings or other times of special importance. However, provision would be made to permit an Executive Director, under special circumstances, to arrange, after consultation with the President, that his Alternate serve simultaneously with him on a full- or part-time basis, when the Executive Director advised the Bank the performance of his duties so required. Each country or group of countries should use the particular arrangement which in its case would best facilitate its designation of persons of the highest possible qualifications and standing.
- (b) With the exception provided for in (a) above, an Executive Director and his Alternate would not both serve on a full-time basis. As a rule, they would not both be in attendance at the Bank at the same time except to the extent that a Director, appearing only occasionally, required the services of his Alternate in connection with an actual meeting of the Executive Directors, or in other appropriate circumstances.

- (c) Either the Executive Director or his Alternate should be resident at or near the seat of the Bank. The amount of time to be devoted to the Bank by the resident Executive Director or Alternate is the concern of each country or group of countries. In the interests of the economic management of the Bank it would be appropriate for each member country or group of countries, when deciding upon the form of their representation, to bear in mind the possibility of combining the Bank functions of their Executive Director or Alternate with some other public appointment.
- (d) When Executive Directors could not attend a meeting, their Alternates would do so, but provision should be made to permit their personal representatives to attend as ad hoc Alternates in temporary replacement of the regular Alternates.
- (e) Executive Directors and their Alternates would be compensated at their present annual rates, prorated according to their actual service. The periods of time for which either would be entitled to payment would, in general, be mutually exclusive, except that the Director and Alternate might both be compensated for service with respect to meetings as indicated above, or when either was absent on business of the Bank, or when a full- or part-time Alternate has been appointed under the exception provided for in (a) above, or in other appropriate circumstances. In cases where the Executive Director or his Alternate is not resident

at the seat of the Bank, they may receive, in lieu of compensation, a "per diem" allowance for such time as a meeting requires them to spend away from their normal place of residence as well as reimbursement of their transportation expenses, in accordance with the By-Law provisions proposed in the Annex.

Advantages of Proposal

70. The proposal meets certain minimum needs for change. It recognizes the need for maintaining the Bank's international character through the Executive Directors as well as through the international composition of its management and staff.

71. Under this proposal member countries could be represented by an Executive Director or Alternate who would devote full time to the work of the Bank, or would at least give priority to that work. It emphasizes international representation through immediate availability of the Board, individually and collectively, at the seat of the Bank for all Board functions, including committee meetings, missions on behalf of the Bank, and other appropriate duties in addition to the meetings of the Board itself. This proposal has the merit, from the viewpoint of particular member countries, of permitting flexibility in the choice of full- or part-time, resident or non-resident, Executive Directors; and in the choice of full- or part-time Alternates under appropriate circumstances. An Executive Director could be in attendance continuously at the seat of the Bank if a member country or group of countries desired such representation.

72. At the same time, it would be open to a member country or group of countries to be represented by a part-time Executive Director devoting most of his time to important duties in his own country.

73. As this proposal would involve minimum changes from present arrangements it is unlikely to have any unsettling effects on member countries and would not be open to the criticism that important alterations were being made at a time in the Bank's history before sufficient experience had been gained.

74. Draft Amendments of the By-Laws of the Bank to give effect to this proposal are attached as the Annex to the present report and recommended to the Board of Governors for approval, to be in effect at the Fifth Annual Meeting.

Draft Amendments of By-Laws
to Give Effect to RECOMMENDATION

Sub-sections (d) to (i), inclusive, of Section 14 of the By-Laws are hereby repealed and the following Sub-sections are hereby substituted therefor:

(d) It shall be the duty of an Executive Director and his Alternate to devote all the time and attention to the business of the Bank that its interests require, and between them to be continuously available at the seat of the Bank. The periods of service of an Executive Director and his Alternate (other than service at meetings, when either is absent on business of the Bank, or in similar appropriate circumstances provided for in regulations made by the Executive Directors) shall be mutually exclusive; provided, however, that this provision shall not apply to the extent that, where special circumstances exist, the Executive Director concerned, after consultation with the President, has advised the Bank that the performance of his duties so requires. An Executive Director who is unable to attend any meeting of the Executive Directors or a committee thereof may designate a temporary Alternate Executive Director to attend and act for him at such meeting. The terms Alternate and Alternate Executive Director whenever used in these By-Laws shall, unless the context shall otherwise require, include any such temporary Alternate Executive Director.

(e) Executive Directors and their Alternates shall be entitled to remuneration (as salary or expense allowance) for time spent by them in the service of the Bank at the rate of \$17,000 per year for an Executive Director and \$11,500 per year for an Alternate Executive Director. Such remuneration shall be prorated, in accordance with such rules and regulations as the Executive Directors shall from time to time approve, according to the time spent by the Executive Director or Alternate Executive Director in the service of the Bank. Such remuneration shall be in lieu of all other salary and expense allowances, including allowances for housing, entertainment and other expenses, except allowances provided pursuant to Sub-section (f) of this Section.

(f) The Executive Directors may by regulation make appropriate provision whereby (i) each Executive Director or Alternate Executive Director who does not reside at or near the seat of the Bank shall be entitled to a reasonable allowance for expenses incurred by him in attending meetings of the Executive Directors or committees thereof; (ii) each Executive Director and Alternate Executive Director who shall at the request of the President perform designated service for the Bank shall be entitled to a reasonable allowance for expenses incurred by him in the performance thereof; and (iii) each Executive Director and Alternate Executive Director, but not a temporary Alternate Executive Director, shall be entitled to reasonable leave

and resettlement allowances with due regard to the time spent by him in the service of the Bank. The allowances provided pursuant to this Sub-section shall be in addition to remuneration under Sub-section (e) of this Section.

(g) For any period in which an Executive Director or Alternate Executive Director shall also be an Executive Director or Alternate Executive Director of the International Monetary Fund, the aggregate of the remuneration and leave and resettlement allowances received by him from the Fund and the Bank shall not exceed the maximum to which he would be entitled if he served either the Bank or the Fund on a full-time basis.

(h) An individual claiming reimbursement or allowance for any expenses incurred by him shall include in his claim a representation that he has not received and will not claim reimbursement or allowance in respect to those expenses from any other source.

Sub-section (j) of Section 14 of the By-Laws is hereby re-designated as Sub-section (i).

APPENDIX A

Amendments to Report of Ad Hoc Committee
dated September 13, 1949

- Page 32, paragraph 68: Delete paragraph and substitute:
- "68. The Committee recommends the following proposal for approval by the Board of Governors."
- Page 32, paragraph 69: Delete clause (a)
- Pages 33, 34 Re-designate (b), (c), (d), (e), and (f) as
(a), (b), (c), (d), and (e)
- Page 33, line 5 After "...times of special importance." insert:
- "However, provision would be made to permit an Executive Director, under special circumstances, to arrange, after consultation with the President, that his Alternate serve simultaneously with him on a full- or part-time basis, when the Executive Director advised the Bank the performance of his duties so required."
- line 9 For "In any case," substitute:
- "With the exception provided for in (a) above, . . ."
- line 19 For "a matter for decision by" substitute:
- "the concern of"*
- Page 34, line 12 After "...was absent on business of the Bank," insert:
- "or when a full- or part-time Alternate has been appointed under the exception provided for in (a) above,"
- Pages 34 and 35, paragraphs 70 and 71 Delete "...both eliminates. . . . 71. The proposal. . . ." so that paragraph 70 reads as follows:
- "70. The proposal meets certain minimum needs for change. It recognizes the need for maintaining

*This change is made for the sake of clarity and is not related to the remaining changes which provide for the exception contained under "Page 33, line 5" above.

- the Bank's international character through the Executive Directors as well as through the international composition of its management and staff."
- Pages 35, 36 For paragraphs 72, 73, 75, substitute paragraphs 71, 72, 73.
- line 12 After "...non-resident, Executive Directors" insert:
 "...; and in the choice of full- or part-time Alternates under appropriate circumstances."
- paragraph 74 Delete
- Page 36, paragraph 76. Delete. Add as paragraph 74:
 "Draft Amendments of the By-Laws of the Bank to give effect to this proposal are attached as the Annex to the present report and recommended to the Board of Governors for approval, to be in effect at the Fifth Annual Meeting."
- Page 37, title Delete "Rules of Procedure...Loan Procedure"
 Delete "Amendments of By-Laws"
- Page 37, sub-section (d),
 lines 4 and 5 Delete "An Executive Director and his Alternate shall not both serve on a full-time basis."
 Substitute:
 "The periods of service of an Executive Director and his Alternate (other than service at meetings, when either is absent on business of the Bank, or in similar appropriate circumstances provided for in regulations made by the Executive Directors) shall be mutually exclusive; provided, however, that this provision shall not apply to the extent that, where special circumstances exist, the Executive Director concerned, after consultation with the President, has advised the Bank that the performance of his duties so requires."
- Pages 40, 41 and 42 Delete