

REPORT OF THE COMMITTEE ON FUNCTIONS
AND REMUNERATION TO THE BOARD OF
GOVERNORS OF THE INTERNATIONAL
MONETARY FUND

Reporting Delegate: Mr. Gunnar Jahn, Norway.

Mr. Chairman:

I have the honor to report to the Board on the work of the Committee on Functions and Remuneration which met under the chairmanship of the Honorable James L. Ilesley.

The first problem to be taken up by the Committee related to the time and attention which the Executive Directors and their Alternates should devote to the business of the Fund. This question turned in part around the interpretation of Article XII, Section 3(g), which reads as follows:

The Executive Directors shall function in continuous session at the principal office of the Fund and shall meet as often as the business of the Fund may require.

It was agreed that this passage was not intended to mean that an Executive Director or Alternate could not spend a part of his time away from the seat of the Fund either in his own country or elsewhere, while on the business of the Fund or working in the interest of the Fund. There were, however, two opposing views on the question whether Executive Directors and their Alternates must devote their full time to the business of the Fund or whether Executive Directors and Alternates might be engaged part-time in some other occupation and receive remuneration therefrom.

After considerable discussion the Committee agreed upon the following statement:

It shall be the duty of an Executive Director and his Alternate to devote all the time and attention to the business of the Fund that its interests require, and, between them, to be continuously available at the principal office of the Fund.

The Committee then took up the problem of determining the remuneration of the Managing Director and the Executive Directors and their Alternates. There was full agreement concerning the

salary

salary and terms of contract of service of the Managing Director. There was a difference of opinion, however, regarding the amounts of remuneration to be paid to Executive Directors and Alternates, and also as to whether payment should be net of taxes or gross. Some members felt that payment of remuneration on a gross basis would be unfair to the individual Executive Directors, because of the widely varying conditions of taxation which would apply to their incomes. On the other hand, it was pointed out that payment on a net basis would mean that the Fund would have to pay different amounts of taxes to different member Governments.

The concensus of the Committee was that remuneration should be paid on a net basis. Although the Committee was aware that this arrangement would not be ideal under present conditions, it was hoped that the inequalities involved would be eliminated by appropriate remedial action by the member Governments.

There was a difference of opinion as to whether or not there should be a gross limitation as well as a net limitation on the remuneration of the Executive Directors and their Alternates.

The following statement on remuneration was agreed upon by the Committee, with the representative of the United Kingdom withholding his final views with respect to paragraph 3 pending consultation with his Government:

1. It is the view of the Board of Governors that appropriate measures for the elimination or equalization of the burden of national taxes upon salaries and allowances paid by the Fund are indispensable to the achievement of equity among its members and equality among its personnel. Therefore the Board of Governors has determined that pending the necessary action being taken by members to exempt from national taxation salaries and allowances paid out of the budget of the Fund, the Fund is directed to reimburse the Governors, Executive Directors and their Alternates, Managing Director and staff members who are required to pay the taxes on salaries received from the Fund.

In computing the amount of tax adjustment to be made with respect to any individual, it shall be presumed for the purposes of the computation that the income received from the Fund is his total income. All salary scales and expense allowances indicated below are stated as net on the above basis.

2. The salary of the Managing Director shall be \$30,000 per annum. The Fund shall also pay any reasonable expenses incurred by these officials in the interest of the Fund (including travel and transportation expenses for themselves, their families, and their personal effects in moving to and from the seat of the Fund).

3. The maximum salary and expense allowance (including housing, entertainment and all other expenses except those specified in paragraph 5 shall be \$17,000 for Executive Directors and \$11,500 for Alternates net of tax, or alternatively \$25,000

and

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Is there any
desire to free
foreign directors
from American
taxation on their
salaries?

and \$15,000 respectively subject to tax, whichever costs the Fund the less/* . It will be the duty of each Executive Director and each Alternate to state how much of these amounts he intends to draw whether as salary or as expense allowance.

4. The Executive Directors and their Alternates are to be remunerated in addition for all reasonable expenses incurred during absence from the seat of the Fund while on the designated service of the Fund. They shall also be remunerated for travel and transportation expenses for themselves, their families, and their personal effects in moving to and from the seat of the Fund, such remuneration to cover only one move in each direction.

5. Where not specified, it is assumed that the Director and Alternate will be a full time Director and Alternate. Where it is intended that he shall not devote his full time, it shall be so indicated. Where an Executive Director or Alternate indicates that he intends to devote only part of his time to the Fund, his remuneration shall be pro-rated on the basis of a representation by him of the proportion of his time he has devoted to the interest of the Fund. He may make such representation each month.

6. Where an individual is serving both the International Monetary Fund and the International Bank for Reconstruction and Development, the aggregate of salary received from both shall not exceed the full annual single salary indicated above. (Insert from next page)

7. An individual putting forward a claim for reimbursement for any expenses incurred by him shall include therewith a representation that he has not received and will not claim reimbursement in respect to those expenses from any other source.

8. Secretarial, staff services, office space, and other services incidental to the performance of the duties of the Executive Directors and Alternates shall be provided by the Fund.

It is understood that the responsible expenses to be paid by the Fund to the Managing Director referred to in paragraph 2 include entertainment and other expenses relevant to this office. This is not true, however, of the reimbursement for reasonable expenses incurred by the Executive Directors and their Alternates referred to in paragraph 4.

It is the recommendation that the substance of this report should be incorporated in the By-laws of the Fund.

It is further recommended that the Board of Governors of the Fund adopt the following resolutions:

Whereas, appropriate measures for the elimination or equalization of the burden of national taxes upon salaries and allowances paid by the International Monetary Fund are indispensable to the achievement of equity among its members and equality among its

personnel

Therefore, the Board of Governors of the International Monetary Fund recommends to the members of the Fund that necessary action be taken by them to exempt from national taxation salaries and allowances paid out of the budget of the Fund to the Managing Director, the Executive Directors and their Alternates, and to the staff of the Fund.

Insert in paragraph 6 of preceeding page:

In all cases of salaries or expenses involving dual offices in the Fund or Bank, or both, the individual affected is entitled to take his choice as to which salary or expense he elects, but he shall not be entitled to both.