

EBAP/83/145
Supplement 1

CONFIDENTIAL

June 2, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Submission to the Board of Governors of the Report
of the Standing Joint Committee on the Remuneration
of Executive Directors and Their Alternates

There is attached for information a copy of the Report to the Boards of Governors of the Fund and the Bank by the Joint Committee on the Remuneration of Executive Directors and their Alternates dated May 21, 1983.

As directed, the Secretary dispatched the Report to the Board of Governors for a vote without meeting on the draft Resolutions proposed therein; the text of the letter of transmittal dated June 2, 1983, is also attached. The period for receiving the votes of Governors will begin on Thursday, June 9, 1983, and will end at 6 p.m., Washington time on July 6, 1983.

Att: (2)



INTERNATIONAL MONETARY FUND

WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

June 2, 1983

Sir:

The standing Joint Committee on the Remuneration of Executive Directors and their Alternates has adopted a Report and recommendations to be submitted to the Board of Governors. At the request of the Joint Committee, I am transmitting its Report and recommendations herewith. The Joint Committee neither discussed with, nor disclosed to, Executive Directors its Report and recommendations prior to their transmittal to the Governors.

The Board of Governors has been requested to vote without meeting, pursuant to Section 13 of the By-Laws of the Fund, on the Resolutions attached to the Report. The Executive Board has decided, pursuant to Section 13 (d) of the By-Laws, that no Governor shall vote on the Resolutions until June 9, 1983.

To be valid, votes on the Resolutions must be cast by Governors or Alternate Governors, and must be received at the seat of the Fund on or after Thursday, June 9, 1983, but not later than Wednesday, July 6, 1983. Votes received before June 9, 1983 or after 6:00 p.m., Washington time, on July 6, 1983 will not be counted.

It would be appreciated if you would transmit the Report to the Governor of the Fund representing your country with the request that he vote on the Resolutions attached to the Report. No particular form of vote is required so long as the Fund receives a clear indication as to whether the Governor approves or disapproves the proposed Resolutions; such communication should be signed by the Governor or Alternate Governor or there should be a clear indication that it is sent on his behalf.

Very truly yours,

Leo Van Houtven
Secretary

Enclosure

May 21, 1983

Report to the Boards of Governors of the Bank and Fund
by the Joint Committee on the Remuneration of
Executive Directors and their Alternates

1. Pursuant to Section 13(e) of the By-Laws of the Bank and Section 14(e) of the By-Laws of the Fund, the undersigned were appointed to the 1983 standing Joint Committee on the Remuneration of Executive Directors and their Alternates.
2. The Joint Committee met in Washington, D.C. on March 25, 1983 and in Madrid on May 21, 1983. The Committee decided to retain the same firm of consultants, Hewitt Associates, as had assisted previous Committees since 1977; the consultants' terms of reference are attached as Annex I. The Committee was provided with background material by the Bank and the Fund and it also had the benefit of discussions with a number of Executive Directors and Alternates.
3. The Committee has noted that, under the By-Laws of the Fund and the Bank, it is not obligated to submit recommendations to the Boards of Governors because regular elections of Executive Directors are not scheduled to take place in 1983. However, as the three previous Committees have pointed out, the volatile international economic conditions of recent years continue to cause rapid changes in relative levels of compensation. In such circumstances, the Committee considers that it is necessary to examine the situation every year although it may not be necessary to carry out wide-ranging and very detailed studies on each occasion.
4. The Committee has reviewed the concepts and methods developed by previous Committees for determining Executive Directors' remuneration. In particular, it reaffirms that the principal basis should continue to be comparison with economic and financial ministers in selected embassies in Washington, D.C., while also taking note of the organizational structures and movements in staff salaries in the Fund and the Bank as well as of cost-of-living trends. It also endorses strongly the policy guideline for conducting the embassy survey defined by the 1982 Committee. In particular, comparisons should be made only with the economic and financial minister positions which have been found to have functions and responsibilities most closely comparable to Executive Directors', namely, those in the Washington, D.C. embassies of Australia, Canada, France, Germany, Japan, the Netherlands, Norway, and the United Kingdom, together with that of U.S. economic minister in a location assumed to have a cost of living equivalent to Washington D.C. Although on average the responsibilities of the nine positions are not as complex or as extensive as those of Executive Directors, they are sufficiently similar to provide a reliable and consistent basis of comparison.

5. An important principle enunciated by previous Committees has been that the remuneration of Executive Directors should be established so that it is not likely to be exceeded by the salaries of more than a moderate number of staff, provided that this does not create an automatic linkage between the two. The present Committee endorses this principle. Because Executive Directors decide on the salary structure for the staff, any form of linkage could be regarded as contravening one of the main purposes underlying the establishment of the Joint Committee, namely, that Executive Directors should not be involved in determining directly or indirectly their own remuneration. At the same time, if more than a moderate number of staff have higher pay than that of Executive Directors, the status and authority of the Directors could be perceived to be undermined and the capacity of the two organizations to attract persons of the caliber necessary for their crucial policymaking function could be seriously weakened.

6. The Committee has given much thought to the arguments that have been presented to it, and to previous Committees, for making pensionable the supplemental allowance paid to Executive Directors and Alternates since 1974. The allowance was instituted "to reflect the unique housing and representation costs and other unusual expenses associated with the temporary nature" of their assignments and their location in Washington, D.C. Moreover, most Executive Directors and Alternates serve for relatively short periods and for them the impact of making the allowance pensionable would be small; it is only after longer than average service that pension entitlements (or withdrawal benefits) would increase significantly. The Committee believes that, at the present time, the reasons for having a supplemental allowance remain valid.

7. With regard to benefits, the Committee has considered whether the termination grant and the home leave allowance available to staff should be extended to Executive Directors and Alternates. The Committee has concluded that the termination grant should not be extended to them for the reasons given by previous Committees, namely, that it would not be consistent with the character of Executive Directors' and Alternates' appointments. The home leave allowance, on the other hand, is intended to help staff members and their families to meet expenses which the families of Executive Directors and Alternates are equally likely to incur. Accordingly, the Committee proposes that, when spouses and children of Executive Directors and Alternates become eligible for, and take, home leave, they should also become eligible to receive the lump-sum allowance on the same basis and subject to the same conditions as the spouses and children of staff. However, because Executive Directors and Alternates themselves are not eligible for home leave, the allowance would only be payable for their families.

8. With regard to the relationship between the remuneration of Executive Directors and that of Alternates, the Committee has

considered whether the gap between the two should be narrowed in view of the heavy responsibilities borne by Alternates in many constituencies. The Committee concludes that the relationship established in 1980, whereby Alternates' salary plus supplemental allowance amounts to approximately 83% of that of Executive Directors, continues to be appropriate at the present time. The total net direct remuneration of Executive Directors and Alternates, which includes spouse and dependency allowances, is currently \$81,040 and \$68,035 respectively. ^{1/}

9. In formulating its recommendations the Committee has taken into account all of the considerations outlined in the preceding paragraphs, together with:

- (a) The results of the consultants' survey of the remuneration of the eight economic and financial minister positions in Washington, D.C. embassies, together with one U.S. economic minister position which, as indicated in paragraph 4 above, the Committee considers to be the most appropriate basis for determining Executive Directors' remuneration. The average annual total net direct remuneration of the nine positions as of March 1, 1983 amounted to \$83,290. The average for the group was 6.7% higher than at the time of the 1982 survey.
- (b) The evolution in the real incomes of Executive Directors as indicated in Annex II. In the twelve months to March 1983, the consumer price index (CPI-U) for Washington, D.C. went up by 3.7%. As of that date, the real incomes of Executive Directors were well below the levels of earlier years.

^{1/} The total net direct remuneration of Executive Directors and Alternates is comprised as follows:

	<u>Executive Directors</u>	<u>Alternates</u>
Salary	\$ 69,200	\$ 57,900
Supplemental Allowance	8,000	6,400
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Plus (assuming the average incumbent is married with two dependent children)	\$ 77,200	\$ 64,300
Spouse Allowance	3,000	2,895
Dependency Allowance	840	840
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Total Direct Remuneration	\$ 81,040	\$ 68,035

- (c) As a result of the increases in salaries for the staff of the Bank and the Fund effective May 1, 1983, the numbers of staff with higher remuneration than Executive Directors and Alternates have risen substantially. As pointed out in paragraph 5 above, the Committee believes that it is important that Executive Directors' pay should be established so that it is not likely to be exceeded by the salaries of more than a moderate number of staff.

Recommendations

10. The Committee recommends:

- (a) an increase effective July 1, 1983, in the salaries of Executive Directors of \$4,400 to \$73,600 per annum, and an increase in the non-pensionable supplemental allowance of \$500 to \$8,500 per annum;
- (b) an increase effective July 1, 1983, in the salaries of Alternates of \$3,700 to \$61,600 per annum, and an increase in the non-pensionable supplemental allowance of \$400 to \$6,800 per annum;
- (c) that, effective July 1, 1983, Executive Directors and Alternates should receive home leave allowances for their spouses and dependent children in the same amount as it is paid in respect of the families of the staff.

11. As a result of the recommended increases:

- (a) the relationship between the total net remuneration of Executive Directors and that of the average of the nine comparator positions would change from 1.038 to 1.032; 1/
- (b) the real incomes of Executive Directors would improve as indicated in Annex II;
- (c) the numbers of staff with salaries above the remuneration of Executive Directors would rise only slightly as shown in Annex III.

12. Draft resolutions covering the above recommendations are attached as Annex IV, and we recommend that they be adopted by the Boards of Governors of the Bank and the Fund, respectively.

1/ The net remuneration of Executive Directors comprises salary, supplemental allowance and spouse and dependency allowances. Because of the way in which they are computed, the spouse and dependency allowances for both Executive Directors and their Alternates would be at the maximum level, namely, \$3,000 and \$840, assuming that they are married with two dependent children.

13. The Joint Committee has directed the Secretary of the Bank and the Secretary of the Fund to transmit this report to the Boards of Governors of the Bank and the Fund, respectively, for a vote without meeting in accordance with Sections 12 and 13(e) of the By-Laws of the Bank and Sections 13 and 14(e) of the By-Laws of the Fund.



H.E. Miguel Boyer



Jorge Cauas Lama



Yusuke Kashiwagi

Terms of Reference for Consultants to the Joint Committee on the Remuneration of Executive Directors and Their Alternates

The 1982 Joint Committee on the Remuneration of Executive Directors and their Alternates recommended that comparisons should be made with those positions that are most similar to those of Executive Directors. They noted that past surveys had found that the functions and responsibilities of Economic and Financial Ministers in the Washington, D.C. embassies of Australia, Canada, France, Germany, Japan, The Netherlands, Norway, and the United Kingdom, are comparable to those of Executive Directors. The 1982 Joint Committee also recommended that, in addition, the basis of comparison should be expanded to include the position of U.S. Economic Minister in a location assumed to have a cost of living comparable to that of Washington, D.C., thus expanding the group to a total of nine comparator positions.

The 1983 Joint Committee, concurring with those recommendations, requests the consultants to survey the remuneration and benefits of the above mentioned positions. The consultants should examine whether there is any reason to change the coverage of the survey recommended by the 1982 Joint Committee.

The consultants should report to the Joint Committee not later than the second half of April 1983.

Index of Real Income of Executive Directors and Alternates

1946-1983

Effective Date	Net Salaries		Salary Index		Washington Consumer Price Index	Index of Real Income	
	Executive Directors	Alternates	Executive Directors	Alternates		Executive Directors	Alternates
June 1946	\$17,000	\$11,500	100.0	100.0	100.0	100.0	100.0
Jan. 1951		14,000 <u>1/</u>		121.7	129.1		94.3
Nov. 1957	20,000	15,500	117.6	134.8	145.9	80.6	92.4
Nov. 1959		17,000		147.8	148.6		
Sep. 1962	25,000	20,000	147.1	173.9	154.1	95.5	112.9
Nov. 1965	28,000 <u>2/</u>	22,000 <u>2/</u>	164.7	191.3	162.3	101.5	117.9
Nov. 1968	31,000	25,000	182.4	217.4	183.6	99.4	118.4
Aug. 1969	35,000	27,000	205.9	234.8	192.3	107.1	122.1
Nov. 1972	37,000	29,000	217.6	252.2	222.1	98.0	113.6
July 1974	42,000 <u>2/</u>	33,000 <u>2/</u>	247.1	287.0	252.7	97.8	113.6
July 1975	43,500 <u>2/</u>	34,200 <u>2/</u>	255.9	297.4	270.4 <u>3/</u>	94.6	110.0
July 1976	45,700 <u>2/</u>	35,900 <u>2/</u>	268.8	312.2	286.0 <u>3/</u>	94.0	109.2
July 1977	45,700 <u>2/</u>	35,900 <u>2/</u>	268.8	312.2	304.6 <u>3/</u>	88.2	102.3
July 1978	50,700 <u>2/</u>	39,900 <u>2/</u>	298.2	347.0	326.0 <u>3/</u>	91.5	106.4
July 1979	54,500 <u>2/</u>	42,900 <u>2/</u>	320.6	373.0	364.0 <u>4/</u>	88.1	102.5
July 1980	63,000 <u>2/</u>	52,500 <u>2/</u>	370.6	456.5	408.9 <u>4/</u>	90.6	111.6
July 1981	71,200 <u>2/</u>	59,300 <u>2/</u>	418.8	515.7	449.1 <u>4/</u>	93.3	114.8
July 1982	77,200 <u>2/</u>	64,300 <u>2/</u>	454.1	559.1	477.4 <u>4/</u>	95.1	117.1
July 1983 <u>5/</u>	77,200 <u>2/</u>	64,300 <u>2/</u>	454.1	559.1	495.1 <u>4/</u>	91.7	112.9

July 1983 <u>6/</u>	82,100 <u>2/</u>	68,400 <u>2/</u>	482.8	594.8	495.1 <u>4/</u>	97.5	120.1

1/ Fund Alternate. Bank Alternates remained at \$11,500 until October 1, 1956, when they were raised to \$14,000.

2/ Includes supplemental allowance.

3/ Based on the Index for February in each year.

4/ Based on the Index for March in each year.

5/ Prior to any adjustment in remuneration that may be granted effective July 1, 1983.

6/ If the recommendations of the Joint Committee for adjustments in remuneration, effective July 1, 1983, were to be approved, the real income figures would change as indicated.

Number of Staff With Salaries Above the Remuneration of
Executive Directors and Alternates 1/

	Above Executive Directors				Above Alternates			
	Fund <u>2/</u>		Bank <u>3/</u>		Fund <u>2/</u>		Bank <u>3/</u>	
	Number	Percentage of total professional staff	Number	Percentage of total professional staff	Number	Percentage of total professional staff	Number	Percentage of total professional staff
1969	0	-	0	-	29	5.2	27	2.7
1970	0	-	2	0.2	45	7.3	47	3.8
1971	2	0.3	1	0.1	68	10.4	83	5.7
1972	2	0.3	0	-	56	7.8	61	3.5
1973	2	0.3	7	0.4	87	11.7	97	5.5
1974	2	0.3	0	-	66	8.8	94	5.0
1975	13	1.6	7	0.3	98	12.3	200	10.0
1976	13	1.6	9	0.4	113	13.9	227	10.3
1977	17	2.1	20	0.9	180	22.1	481	20.6
1978	13	1.6	15	0.6	145	17.6	328	13.5
1979	43	5.3	45	1.7	181	22.3	497	19.3
1980	74	8.9	148	5.3	223	26.8	626	22.5
1981	38	4.4	51	1.8	121	13.9	327	11.3
1982	39	4.2	46	1.5	125	13.4	330	11.1
1983	76	8.0	121	4.1	192	20.1	620	20.9
1983 <u>4/</u>	42	4.4	55	1.9	144	15.1	335	11.3

1/ Based on net salaries for staff and net remuneration, including supplemental allowance, for Executive Directors and Alternates.

2/ Situation at end of each calendar year except for 1983, where figures as of May 1 have been used.

3/ Situation at end of each calendar year except for 1983, where the figures represent the best estimate as of May 1.

4/ Situation as at July 1, 1983, if recommendations for adjusting Executive Directors' and Alternates' remuneration, effective July 1, 1983, were to be approved.

INTERNATIONAL MONETARY FUND

DRAFT RESOLUTION

Direct Remuneration of Executive
Directors and their Alternates

RESOLVED:

THAT, effective July 1, 1983, the annual rates of remuneration of Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be as follows:

- (i) As salary, \$73,600 per year for Executive Directors and \$61,600 per year for their Alternates;
- (ii) As supplemental allowance (for expenses, including housing and entertainment expenses, except those specified in Section 14(f) of the By-Laws), \$8,500 per year for Executive Directors and \$6,800 per year for their Alternates.

INTERNATIONAL MONETARY FUND

DRAFT RESOLUTION

Home Leave Allowance for Executive
Directors and their Alternates

RESOLVED:

THAT, effective with respect to home leave travel of the families of Executive Directors and Alternates commencing after July 1, 1983, a home leave allowance shall be paid to Executive Directors and their Alternates in the same amounts as it is paid in respect of the families of the staff.