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May 8, 2007

**Statement by Mr. Gakunu and Mr. Aboobaker on Staff Compensation—2007 Review
(Preliminary)
Executive Board Meeting
May 11, 2007**

1. We thank management and staff for submitting for consideration the paper on the 2007 staff compensation and proposed decisions.
2. We note that the compensation proposals have been made in the context of a three-year compensation cycle approved by the Board in 2006, while a more detailed review would be undertaken in 2009. We are also aware that the 2007 compensation levels are required to be determined by an indexation formula, which in our view, needs continuous refinement. We are, however prepared to support the proposed decisions, while making a number of observations on some outstanding issues requiring attention.
3. Like Mr. Shaalan, we had in our previous contributions to the discussions on ECBR, **emphasized that in determining compensation benefits, the Fund should remain guided by overarching principles of achieving the optimal package of human resource policies and environment that provide the right incentives to excellent performance. The incentives were also to be conducive in retaining a geographically diversified staff of the highest quality, with the mix of skills and experience that would enhance the Fund's capacity to satisfactorily fulfill its evolving mandate in the context of its medium term strategy.** We also urged management to have extensive consultation with the members of staff and to take several positive suggestions by them into account. **It was against this background that we consistently argue against formalizing a process of local recruitment for A1-A8 staff dependent on rushed selection and surveys of firms.** Concerns were also expressed about the relative weights of firms in the general industry and international organizations. **We are however, encouraged that in spite of staff conclusion that it should be feasible to establish a local comparator market for A1-A8 staff, work on evolving a suitable comparator is to continue in view of difficulties of collecting reliable market data.**
4. **In our view, the deferment of the decision on A1-A8 payline until 2008 needs to be seen in the context of buying time to allow for progress in a number of fronts. These**

would include: correctly determining the size and mix of firms and international organizations for inclusion in the survey; gathering reliable and quality data on industry and international organizations with job descriptions broadly comparable to those in the Fund; assigning commensurate weights to firms and organizations selected and broadening Fund-wide consultations and inputs in support of the process.

5. In the context of the new compensation system, relying on a three-year review cycle, we are concerned that the public-private sector based indexes for adjusting salary in the intervening years could lead to a downward shift in the Fund's salary structure especially erosion of real salaries at the lower grades. How could staff be assured that the likely adverse outcome would not be the case? It would be necessary for further work on this matter to ensure that the situation approximated by the indexes do not deviate significantly from salaries in comparator institutions and countries, while room for discretion in the third year would be needed to enhance competitiveness of salaries in the Fund and prevent income losses by staff. Going forward, it is hoped that independent views of external experts would complement internal perspectives to properly forge debate on how best to determine functional paylines for eventual consideration and decision by the Board.