FOR INFORMATION

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CONFIDENTIAL

July 23, 2020

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**

Board Action:	Executive Directors' **information**
Additional Information:	The report to the Board of Governors of the Standing Joint Committee on the Remuneration of Executive Directors and their Alternates has been revised to correct the description of changes to installation allowances for Fund staff approved in the recent CCBR exercise and which will become effective October 1, 2020. As directed, the Secretary has dispatched the revised report to the Boards of Governors of the Fund and the Bank; the text of the supplemental letter of transmittal dated July 23, 2020, is also attached. The period for receiving the votes of Governor began on Wednesday, July 1, 2020 and will end on Wednesday, August 26, 2020. A redlined version is attached for the convenience of Executive Directors.

July 23, 2020

Subject: **Remuneration and Benefits of Executive Directors and Alternate Executive Directors**

Dear Governor:

Please find attached the revised report dated July 20, 2020 of the Joint IMF-World Bank Committee on the Remuneration of Executive Directors and their Alternates. I am also attaching my original letter dated July 1, 2020 outlining voting modalities concerning the two draft resolutions contained in the report to Governors (please see attachment).

The revised report clarifies the effect of changes to the appointment benefits of new Fund Executive Directors and Alternate Executive Directors. As the draft Resolution for changes to Fund Executive Directors' benefits accurately reflects the JCR's intention, the **ballots validly cast by Fund Governors on this resolution since July 1, 2020 will continue to be deemed valid, unless Governors wish to submit a revised ballot.** The closing date for both resolutions remains **6:00 p.m., Washington time, on Wednesday, August 26, 2020.** Votes received after that date and time will not be counted.

Thank you very much for your support.

Very truly yours,

Jianhai Lin
Secretary of the Fund

Enclosures

700 19th Street NW
Washington, DC 20431
USA

Revised Report of the 2020 Joint Committee on the Remuneration of IMF/World Bank Executive Directors and their Alternates

July 20, 2020

As Governors are aware, in its report dated July 1, 2020, the 2020 Joint Committee on Remuneration has presented recommendations to the Fund's Board of Governors for changes in certain employment benefits of Fund Executive Directors and their Alternates. As noted in that report, predecessor JCRs have generally recommended that the benefits of the IMF's and World Bank's Executive Directors and Alternate Executive Directors be aligned with those of the staffs of the respective institutions, for reasons of administrative efficiency and cost-effectiveness. The 2020 JCR concurs that benefits within each of the institutions should be aligned as much as possible with those of the respective staffs for these reasons.

Further to the issuance of our report and recommendations on July 1, 2020, it has come to our attention that paragraphs 36, 53, and 54 of that report inaccurately describe the proposed changes to the appointment benefits of new Fund Executive Directors and their Alternates. The JCR proposes that the Appointment Grant which was adopted by the Fund's Executive Board for Fund staff should be extended also to IMF Executive Directors and Alternate Executive Directors, on the same basis.

This intention is <u>correctly</u> reflected in the Draft Resolution which has been presented to the IMF's Board of Governors. However, Governors are advised that the statement in paragraph 36 of the JCR report that "The CCBR streamlined the administration of this benefit for Fund staff with no change in value" is incorrect. The streamlining measures entail fully replacing the current separate installation allowance and settling-in grant with a single Appointment Grant, which will be calculated as either four or eight weeks of the A12 midpoint salary. Overall, <u>this implies a reduction in the value of these appointment benefits</u> for Executive Directors and Alternates if this measure is adopted by the Fund's Board of Governors.

The attached revised JCR Report has been revised to correct the description of the change in this benefit, and to clarify that overall, the effect of the changes is to reduce the value of IMF Executive Directors' employment benefits. Changes have been made to paragraphs 36, and 50 through 54.

As the draft Resolution for changes to Fund Executive Directors' benefits accurately reflects the JCR's intention, the ballots validly cast by Fund Governors on this resolution since July 1 2020 will continue to be deemed valid, unless Governors wish to submit a revised ballot before the end of the balloting period on August 26, 2020.

Ernest Addison
JCR Chairman

Cesar Purisima
JCR Member

Jan Smets
JCR Member

July 1, 2020

Subject: **Remuneration and Benefits of Executive Directors and Alternate Executive Directors**

Dear Governor:

This is to inform you that the Joint IMF-World Bank Board of Governors Committee on the Remuneration of Executive Directors and their Alternates has adopted a report and recommendations on this subject matter (please see the attachment). At the request of the Joint Committee, I am transmitting its report and recommendations herewith. The Joint Committee has neither discussed with, nor disclosed to Executive Directors, its report and recommendations prior to their transmittal to the Board of 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 two draft Resolutions attached to the Report:

- **i.** **Direct Remuneration of Executive Directors and their Alternates** (Attachment I to the Report); and

- **ii.** **Benefits of Executive Directors and Alternate Executive Directors** (Attachment II to the Report)

To be valid, votes on the draft Resolutions must be cast by duly accredited Governors or Alternate Governors and received at the seat of the Fund **not later than 6:00 p.m., Washington time, on Wednesday, August 26, 2020**. Votes received after that date and time will not be counted.

I would greatly appreciate it if you could vote on the two draft Resolutions as soon as possible. In casting your vote, you are kindly requested to use the secure online voting system on www.imfconnect.org. Alternatively, we will also accept completed Ballot Forms by email sent to comfront@imf.org provided that: the communication clearly states whether the vote is in favor of, or against, or abstains from the draft Resolutions; the name of the member country whose vote is being cast is clearly stated; and the communication is properly dated and signed by the duly accredited Governor or Alternate Governor of the Fund (or another government official duly authorized to transmit the communication on your behalf).

Thank you very much for your support.

Very truly yours,

Jianhai Lin
Secretary of the Fund

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700 19th Street NW
Washington, DC 20431
USA

Report and Recommendations of the 2020 Joint Committee on the Remuneration of IMF/World Bank Executive Directors and their Alternates

Revised July 20, 2020

I. EXECUTIVE SUMMARY

1. Under the By-Laws of the IMF (the Fund) and the World Bank (the Bank), a standing Joint Committee on the Remuneration (JCR) of Executive Directors and their Alternates is constituted each year to "consider all matters affecting the remuneration and other benefits of the Executive Directors of the Fund [Bank] and of their Alternates, and from time to time, but at least by July 1 of each year in which a regular election of Executive Directors is scheduled to be held . . . to make such recommendations for any action by the Board[s] of Governors on the said matters as the Joint Committee shall deem advisable."

2. The 2020 Joint Committee on Remuneration comprises Mr. Ernest Addison, Governor of the Bank of Ghana (Chair); Mr. Cesar Purisima, former Secretary of Finance for the Philippines, and former Governor of the World Bank; and Mr. Jan Smets, former Governor of the National Bank of Belgium and former Governor of the Fund. Due to the circumstances of the COVID-19 pandemic, the JCR convened via videoconference on May 18, 2020 for preliminary discussions, and again on June 15, 2020 to conclude its deliberations.

3. To inform its deliberations, the 2020 JCR has reviewed a broad range of factors, including: the report of an independent consultant examining the roles, responsibilities and functions of Executive Directors and Alternate Executive Directors in the Fund and the Bank, their comparability with each other, and the positioning of their remuneration relative to a range of external comparators; data on internal salary relativities within the Fund and the Bank, and the evolution of Executive Directors' remuneration relative to those of the heads of the institutions and the senior staff; developments in the regional consumer price index; information on the educational and professional profiles of Executive Directors serving on the Boards of the Fund and the Bank; and the situation unfolding in the global economy as a result of the COVID-19 pandemic. The JCR has also taken careful note of the findings and recommendations of its immediate predecessors, the 2018 and 2019 JCRs and the pattern of voting by the two Boards of Governors in each of those years.

4. Taking all of these factors into account, the 2020 JCR has made the following findings and recommendations, which are presented in more detail in its report:

(i) **The roles, responsibilities and functions of Fund and Bank Executive Directors and Alternate Executive Directors appear to be comparable.** While there are some differences, these are minor and do not appear to warrant setting base salaries at different levels between the institutions. Accordingly, **it would be desirable to close the gap (2.5 percent)** between the salaries of Executive Directors and Alternate Executive Directors of the Fund and the Bank that arose in 2018;

(ii) **However, the grim outlook for the global economy in the wake of the COVID-19 pandemic suggests that remedial action in this area should be deferred** until conditions have improved. As conditions permit, **future JCRs may wish to consider recommending a supplemental upwards adjustment in the salaries of Bank Executive Directors and Alternates**, either progressively over time or handled as a single step adjustment;

(iii) **In light of the first finding above, the JCR concludes that the salaries of Fund and Bank Executive Directors should continue to be adjusted by the same factor annually,** to avoid widening the existing disparity. The appropriate benchmark continues to be the **change in the consumer price index for the Washington, DC area**: a neutral, objectively-determined benchmark that preserves real incomes and maintains relativities with the heads of the two institutions;

(iv) **As the May 2019-May 2020 CPI is slightly negative, -0.1 percent, the 2020 JCR recommends that no change be made** to the salaries of Fund and Bank Executive Directors and their Alternates this year. The JCR recognizes that this will result in three years of salary freezes for the Bank's Executive Board and two years for the Fund's;

(v) **Nonetheless, the JCR is reassured that the current level of Executive Directors' remuneration in both institutions remains highly competitive** relative to external comparators across G20 member countries. Total compensation (net salaries and a wide range of employment benefits) continues to be highly favorable relative to the gross remuneration of senior positions in G20 civil services and central banks; and

(vi) **For administrative efficiency, the employment benefits of Fund and Bank Executive Directors should continue to be aligned with those of the staffs** of the two institutions to the extent possible. The JCR recommends that several changes in the benefits of Fund staff approved in the recent Comprehensive Compensation and Benefits Review be applied to Fund Executive Directors and Alternates, and that changes in parental leave benefits approved for Bank staff in 2018 be applied to Bank Executive Directors and their Alternates. These changes will require approval by the Boards of Governors of the respective institutions.

II. BACKGROUND

5. **The background for this year's JCR work has been complicated by two unusual events: the unfolding impacts of the novel coronavirus pandemic and the ongoing implications of the differences in the remuneration of IMF and World Bank Executive Directors which emerged in 2018**.

6. **The COVID-19 pandemic continues to exact an immense toll on human life globally, and the world economy remains stalled by the ongoing need for lockdowns and containment measures.** Throughout the Fund and Bank memberships, governments have responded to the crisis with unprecedented fiscal measures aimed at bolstering healthcare systems, preserving jobs, and providing direct support to businesses and households. Central banks have responded strongly by injecting liquidity into financial markets and taking on an increasing amount of debt. Even so, the outlook remains uncertain, with risks tilted to the downside. Forecasts of the depth and duration of the economic contraction, caused by disruptions to supply chains and slump in demand, continue to worsen. Government indebtedness has risen sharply as efforts focus on shoring up the economy; but inevitably, these debts will need to be addressed in the future.

7. **In these circumstances, the Fund and the Bank continue to play a critical role at the center of the international financial architecture, responding strongly to unprecedented new demands.** Both institutions have adapted rapidly to the great challenges facing their members, through policy measures, new lending tools, flexible use of existing lending mechanisms and debt forgiveness. Both Executive Boards have stepped up to the task admirably, even as lockdowns have required the institutions to find new ways of working. The JCR recognizes the important role that Executive Directors and Alternate Executive Directors have played in these difficult times, as they navigate these issues in a way that preserves the consensus-based decision-making process that underpins the Bretton Woods institutions. The current juncture amply demonstrates the critical role that the Executive Boards play as servants of the global economic good, working for the welfare of all members.

8. **In addition to these extraordinary circumstances, the 2020 JCR notes that the 2019 JCR recommended no change to the salaries of Executive Directors and their Alternates in the Fund and the Bank**, pending completion of an independent review of the roles, functions and responsibilities of IMF and World Bank Executive Directors and their Alternates, and an assessment of remuneration trends in external comparator organizations. These proposals were strongly endorsed by the Boards of Governors of both institutions.

9. **The 2020 JCR further notes that the 2019 Committee's recommendation responded to the voting outcome by the Boards of Governors in 2018**, in which the memberships of the Fund and the Bank responded differently to the identical salary increase recommendation of that year's JCR, resulting in approval of a 2.5 percent salary increase for Fund Executive Directors

and their Alternates, and rejection of the same increase for their Bank counterparts. Since 2018, the salaries of Fund Executive Directors and Alternate Executive Directors have been slightly higher than those of their Bank counterparts. The recommendation of the 2019 JCR Committee for an independent assessment of the comparability of the role and responsibilities of Executive Directors in both institutions, and the positioning of their remuneration relative to external comparators, sought to provide clarity to future committees on an appropriate path forward.

10. **Against this backdrop, the 2020 JCR has considered four key issues:**

- **The comparability of the role and responsibilities of IMF and World Bank Executive Directors and their Alternates**, and positioning of their remuneration against external comparators;
- **Desirability of, and scope for restoring pay equity** between IMF and World Bank Executive Directors and Alternate Executive Directors;
- **An appropriate benchmark for annual salary adjustments** of Executive Directors, both for this year and going forward;
- **The benefits of Executive Directors and Alternate Executive Directors**. This year, the JCR has considered proposals for several changes in the benefits of IMF Executive Directors, following changes in the equivalent benefits for the Fund staff approved in the Comprehensive Compensation and Benefits Exercise, completed in December 2019. The JCR has also considered a proposed change in the parental leave benefits of Bank Executive Directors and Alternate Executives following changes in these benefits for Bank staff in 2019.

III. INDEPENDENT ASSESSMENT BY EXTERNAL CONSULTANT

11. **The 2020 JCR has benefitted greatly from the work commissioned by its predecessor committee to provide a detailed, independent assessment of the roles and responsibilities of Executive Directors in the IMF and World Bank, and an assessment of how their remuneration is currently positioned in relation to relevant external comparators.** As noted by the 2019 JCR, a similar study was conducted in 2000; given the passage of time, the findings of that review warranted a fresh, fully independent assessment by an external consultant. As outlined in its report to the Boards of Governors of the Fund and the Bank, the 2019 JCR recommended this work cover:

- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors relative to each other, and relative to the heads and deputy heads of the two institutions.

- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors vis-à-vis senior positions in central banks, ministries of finance and economy, and relevant international organizations.
- A technical assessment of industry trends in remuneration of macrofinancial and development experts, and approximate differentials between benchmark positions in the public and private sectors.

12. **Following strong endorsement of this proposal by the memberships of the two institutions, the JCR Secretariat conducted a competitive selection process, in line with relevant procurement rules, and engaged Korn Ferry to conduct this work.** Korn Ferry is a prominent global consulting firm with extensive experience in analyzing total remuneration issues in the public and private sectors. The report of the consulting team is comprehensive and thoroughly researched, and the 2020 JCR considers it provides a firm foundation on which to base its views. The consultant's findings on the roles and responsibilities of Executive Directors and Alternate Executive Directors in the Fund and the Bank were obtained through a combination of confidential in-person interviews with several Executive Directors and Alternate Executive Directors in each institution, and an online survey that was made available to all Executive Directors and Alternate Executive Directors in both institutions. To assess the positioning of Executive Directors' remuneration against external benchmarks in other organizations and sectors, the consultant has drawn on its own proprietary data and information obtained by its extensive network of external contacts.

13. **Given the candid views expressed by interview participants, the consultant's report remains confidential to the JCR and will not be circulated.** The key findings of the consultant are presented in Appendix 1, and are presented largely verbatim. This approach is consistent with the decision taken by the 2000 JCR to maintain confidentiality of the consultant's report commissioned in that year, while describing the key findings that underpinned its recommendations. Given the comprehensive nature of the report, the time required and expense incurred in preparing it, the 2020 JCR considers that this report may be used as a reference document by future committees for many years. It is expected that future JCRs will be able to operate on a more streamlined basis, with reference to a more limited set of indicators, in line with the recommendations of the 2019 JCR.

IV. 2020 JCR DELIBERATIONS ON THE DIRECT REMUNERATION OF FUND AND BANK EXECUTIVE DIRECTORS AND THEIR ALTERNATES

Comparability of Roles and Responsibilities in Fund and Bank:

14. **The 2020 JCR considers that the functions and responsibilities of the two Executive Boards should be seen as comparable in complexity and importance.** This view is strongly supported by the findings of the external consultant. The 2020 JCR recognizes the IMF and the

World Bank are responding strongly and rapidly to meet new needs of their member countries at a time of enormous social and economic turmoil. As noted above, the Executive Boards of the Fund and Bank are playing a critical role in overseeing the work of the Fund and the Bank at a time of crisis and are taking forward a challenging and extensive agenda. Under their respective mandates, the work of the two institutions is complementary, and mutually reinforcing.

Restoring Parity of Salary Treatment between the Fund and the Bank

15. **Given their comparable roles and responsibilities, the JCR agrees in principle that it would be desirable to restore parity of remuneration of Fund and Bank Executive Directors and Alternate Executive Directors.** Historically, the salaries of Fund and Bank Executive Directors remained identical until 2018, when a 2.5 percent gap opened between them for the reasons outlined in the Background section above. The JCR concurs with the consultant's finding that there appears to be no compelling rationale for a difference in salary treatment, based on substantive and measurable differences in the nature of these positions between the two institutions.

16. **While the 2020 JCR encourages Bank Governors to consider further whether the current pay gap should persist in future, the Committee considers that a cautious path is appropriate, at this time, given the following considerations**:

- **The Fund and Bank are part of the international public sector and remain at all times accountable to the member countries they serve.** Executive Directors and Alternate Executive Directors are elected or appointed directly by member countries, and changes in their remuneration must similarly be approved by the membership. In this regard, the JCR notes the consultant's finding that most Fund and Bank Executive Directors and Alternates generally enter these roles with extensive prior experience in the public sector.
- **The impacts of the COVID-19 crisis would appear to limit the scope for corrective action to close the 2.5 percent pay gap between Fund and Bank Executive Directors at this time and potentially for the immediate period ahead.** While the impacts of the current COVID-19 crisis on the public sector have, so far, been limited in terms of job losses, the increase in public sector indebtedness as governments struggle to mitigate the worst effects of the crisis will need to be addressed in due course through offsetting measures to reduce expenditures or increase revenues, including possible tax increases. The consultant notes that several member countries may be considering salary freezes (a more common form of wage control in public sector organizations than job cuts). Given the deteriorating global economic outlook, the JCR considers there will likely be limited, if any, appetite in many member countries for significant efforts to close the pay gap between Fund and Bank Executive Boards at this juncture.

- **The data presented for G20 civil service remuneration, in particular, suggests that the current level of salaries – while slightly different between the two institutions – remains very competitive, especially given the favorable tax treatment and extensive benefits.** Given the global focus and complex nature of the work of the Fund and Bank Executive Boards, the JCR agrees with the consultant that it is important that Executive Directors' pay is positioned appropriately to attract top talent. The Committee is reassured that the consultant's assessment against the key source of the recruitment talent pool for these positions suggests that Executive Directors' salaries are positioned well relative to the most directly relevant external comparators. While the data provided for remuneration in other external comparators provides a useful reference point, the JCR concludes that there are sufficient differences between the nature of the Fund and the Bank and other non-public sector comparators (especially in terms of the structure of compensation) to warrant giving less weight to these alternative comparators.

17. **Looking ahead, the possible modalities and timing of a "catch up" on the Bank side must be carefully assessed.** The JCR considers that any such action should, in principle, be handled as an upwards adjustment to Bank Executive Directors' salary. Given the solid support for the 2.5 percent salary increase demonstrated by Fund Governors in 2018, there seems to be no case for handling such an adjustment through a relative reduction in salaries for Fund Executive Directors. Future JCRs may wish to consider the feasibility of a "two-step" process. This could entail presenting, in addition to a recommendation for a uniform annual salary increase for Fund and Bank Executive Directors and their Alternates, a separate supplemental recommendation for a further adjustment to the salaries of Bank Executive Directors and Alternates, to either fully or partially close the gap.

Appropriate Benchmark for Annual Salary Adjustments

18. **The JCR strongly believes that the May-to-May change in the consumer price index for the Washington DC area remains the most appropriate benchmark for annual adjustments to the salaries of Fund and Bank Executive Directors and their Alternates.** This benchmark continues to offer an objective, neutral metric, which preserves parity of salary treatment with the heads of the two institutions, and recognizes changes in the cost of living in the duty station. The JCR is unconvinced that the alternative approach suggested by the consultant—establishing a variable pay range, and benchmarking to pay inflation in selected member countries—offers a better approach. Both elements would appear to introduce significant subjectivity – both in setting the range and applying it, and in identifying the mix of comparators which would be used to calculate the annual adjustment. The difficulty and cost of administering such an approach would appear to outweigh any benefits associated with moving to a more "up to date" approach, especially as the assessment against external comparators appears to indicate that the CPI benchmark which has been followed for over a decade continues to position Executive Directors' remuneration very competitively against external comparators.

19. **The JCR concurs with its predecessor committees, and the consultant's view, that movements in the salaries of the career staff of the Fund and the Bank are not an appropriate benchmark for the remuneration of Executive Directors.** Past JCRs have avoided establishing a direct link between the compensation system for Executive Directors and the staffs, given the conflict of interest that would arise as the two Executive Boards must approve the annual increases in staff compensation. The consultant's report also confirms the view of recent JCRs that the role and responsibilities of the Executive Boards, managements, and operational staff in the institutions are distinct and differ in important respects. The considerations underpinning staff remuneration are not directly relevant to the Executive Boards, given important differences in the roles of the career staff (who perform the technical and operational work of the institutions) and the Executive Boards (who provide oversight and guidance on behalf of the member countries, a political role).

20. **The JCR concurs that salaries of Fund staff should reflect developments in competitive labor markets, and be positioned at a level that permits the two institutions to attract and retain a highly-skilled and diverse staff.** The JCR notes that application of the rules-based staff compensation frameworks in the Fund and the Bank have resulted in average salary adjustments of 3.6% and 3.8% for Fund and Bank staff respectively this year, reflecting strong growth in competitor labor markets prior to the COVID-19 crisis. The rules-based systems for adjusting the structural payline for the staffs in both institutions have recently been reviewed and the methodologies have been rebalanced to place increased weight on public sector wage developments. It is therefore expected that the impacts of the crisis will be reflected in these benchmarks in due course, and growth in pay in these competitors—and by extension in the growth in Fund and Bank staff structural paylines —will likely adjust in the period ahead.

V. RECOMMENDATION FOR SALARY INCREASES IN 2020

21. **The JCR considers that the May-to-May change in the Washington DC consumer price index Washington DC annual CPI change remains an appropriate benchmark, as discussed above.**

22. **The May 2019-to-May 2020 CPI change in the Washington DC-Arlington- Alexandria region is slightly negative, -0.1 percent.** Under their contracts, the salaries of the Fund's Managing Director and the World Bank's President will be adjusted to reflect any increase in the May-to-May regional consumer price index. In a situation of negative movement in May-to-May CPI inflation (as occurred in 2009) the salaries of the Managing Director and the President shall remain unchanged as of July 1, 2020.

23. **The 2020 JCR shall present a formal recommendation to the Boards of Governors of the Fund and the Bank that no increase be made in the salaries of Fund and Bank Executive Directors and their Alternates.** Accordingly, the salaries of Fund Executive Directors and Alternate Executive Directors shall remain \$265,030 and \$229,270 (net of taxes)

respectively. The salaries of Bank Executive Directors and their Alternates shall remain $258,570 and $223,680 (net of taxes) respectively. Noting the finding of the external consultant that the role of Alternate Executive Directors vis-à-vis that of Executive Directors appears to vary considerably between constituency groups, the JCR considers that the current ratio of Alternate Executive Directors salaries to Executive Directors (86.5 percent) remains appropriate at this time.

24. **The Committee notes that this recommendation means that the salaries of Bank Executive Directors and Alternate Executive Directors will remain unchanged from the level approved by the Bank's Board of Governors in 2017**, i.e. a third year of salary freezes for these positions. The salaries of Fund Executive Directors and Alternate Executive Directors remain at the level approved by the Fund's Board of Governors in 2018 (i.e. a second year of salary freezes). It is clearly not desirable that Executive Directors' and Alternate Executive Directors' salaries remain frozen indefinitely. Nonetheless, the JCR takes careful note of the very strong endorsement by the memberships of the Fund and the Bank last year—in considerably more positive economic circumstances—for the recommendation of the 2019 JCR for a temporary freeze in Executive Director salaries.

25. **Going forward, it is to be hoped that a more favorable space will open up for positive salary adjustments for these important positions. Even so, the space for recommending CPI-benchmarked salary adjustments in years ahead must continue to be carefully evaluated.** At a time of exceptional economic stress for many, if not most countries, the JCR must carefully assess members' tolerance for salary adjustments for the two Executive Boards. CPI is a reasonable yardstick, but in each year the JCR must assess the best path forward.

VI. CHANGES IN BENEFITS

26. **The Boards of Governors have authorized the Executive Directors of the Fund and the Bank to make decisions on certain changes in benefits, but have reserved to themselves decisions on certain other changes**:

> "*. . . changes in the level of benefits to reflect actual costs, or other minor modifications to existing benefits that do not change the basic nature of such benefits may be made available to Executive Directors and their Alternates by the Executive Directors of the [Fund] [Bank] provided that significant changes in existing benefits as well as new benefits be considered by the Joint Committee on the Remuneration of Executive Directors and their Alternates . . . and not be made available to Executive Directors and their Alternates until approved by the Board of Governors*".[1]

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[1] Benefits of Executive Directors and their Alternates, IMF Board of Governors' Resolution No. 34-7, adopted on July 20, 1979. The Bank's Board of Governors has adopted a parallel resolution, Resolution 337.

27. **The JCR notes the Fund has recently completed a Comprehensive Compensation and Benefits Review exercise, with the objective of ensuring that the institution is well-placed to attract and retain talent needed to meet the evolving needs of the membership going forward.** As a result of this thorough and wide-ranging review, the Executive Board has approved several changes in benefits of Fund staff. Some of these changes introduce new benefits (a childcare allowance, and the option of joining a defined contribution voluntary retirement plan) while others significantly alter the underlying nature and/or value of existing benefits (changes to parental leave benefits, appointment and resettlement grants, education allowances). A suite of other changes clarify and/or simplify the administration of certain benefits, without altering the basic nature of the benefit or significantly altering the value of the benefit.

28. The JCR notes that, while in principle the benefits of members of Executive Boards need not be aligned with those of the operational staff, given the difference in their functions, **predecessor Committees have generally recommended that the benefits of the IMF's and World Bank's Executive Directors and Alternate Executive Directors be aligned with those of the staff of the respective institutions for reasons of administrative efficiency and cost-effectiveness.** The 2020 JCR concurs that benefits within each of the institutions should be aligned as much as possible for these reasons, and accordingly recommends that:

- The Bank's Board of Governors adopt a new Resolution aligning the parental leave benefits of Bank Executive Directors and Alternates with those Bank staff.
- The Fund's Board of Governors adopt new Resolutions extending the changes in appointment grant, resettlement allowance, childcare allowance, education allowance, parental leave, and defined contribution retirement plan to Fund Executive Directors and Alternate Executive Directors.

Changes in Bank Parental Leave Benefits

29. **The 2020 JCR has reviewed the employment benefits of World Bank Executive Directors and Alternate Executive Directors relating to parental leave.** In 2018, the parental leave benefits of Bank staff were amended to increase the period of paid leave a staff member may take in conjunction with the birth or adoption of a child.

30. **Parental leave is the only defined leave benefit for Bank Executive Directors and their Alternates (and also for their Fund counterparts).** Historically, both Bank and Fund Executive Directors and Alternate Executive Directors have been permitted to take reasonable leave as needed. In 1999 the Bank's Board of Governors approved a specific maternity leave benefit for female Bank Executive Directors and Alternate Executive Directors allowing for twelve weeks of paid leave in conjunction with the birth of a child. (The same maternity leave

benefit was approved in parallel for Fund Executive Directors and Alternate Executive Directors by the IMF's Board of Governors).

31. **Parental leave benefits for Bank Executive Directors and Alternate Executive Directors were most recently amended in July 2016**, when Bank Governors approved the 2016 JCR's recommendation to provide seventy (70) working days of leave to birthmothers and primary caregivers of adopted or surrogate children and ten (10) working days to fathers and secondary caregivers of adopted or surrogate children, plus (20) days of additional leave in cases of multiple births or adoptions and/or medical complications. This change permitted alignment of the parental leave benefits of Bank Executive Directors and Alternates with those of Bank staff.

32. **On December 1, 2018, the World Bank Group implemented changes in the parental leave benefits of Bank staff as follows**:

- **Bank staff are eligible to use up to one hundred (100) working days of parental leave for each birth/adoption**, including by surrogacy, when serving as the primary caregiver, i.e., the sole caregiver of the child during the majority of business hours throughout the period of parental leave requested.
- **A Bank staff member who is not the primary caregiver of the child is eligible to use up to fifty (50) working days of parental leave for each birth/adoption**, including by surrogacy.

33. **To maintain the internal alignment of parental leave benefits between Bank Executive Directors and Alternate Executive Directors and those of Bank staff, it is proposed that the JCR recommend the same changes to the Bank's Board of Governors for approval.** A new Board of Governors' resolution is required to supersede the current provisions of Board of Governors' Resolution 651, adopted in 2016. The change in the benefit is significant, but the increase in the number of working days of paid leave is in line with proposed changes in the parental leave benefits of IMF Executive Directors and Alternate Executive Directors, as discussed further below. Attachment 2 presents a draft resolution, proposing the alignment of parental leave benefits between Bank Executive Directors and Alternates, and Bank staff.

Proposed Alignment of Benefits of IMF Executive Directors with IMF Staff

34. **On December 17, 2019, the IMF's Executive Board concluded a Comprehensive Compensation and Benefits Review (CCBR)**, approving a package of changes to the benefits policies applicable to Fund staff and a phased timeline for implementing these changes between

May 2020 and May 2021. In line with the framework described above, the CCBR changes do not automatically apply to Executive Directors and Alternate Executive Directors.[2]

35. **Past practice has been to maintain a close alignment between the employment benefits of Fund Executive Directors and Alternates with those of the Fund staff, including after the major 2006 Employment, Compensation, and Benefits review.** It is proposed that the employment benefits of Executive Directors and Alternate Executive Directors be similarly adjusted to align fully with the CCBR changes in benefits for Fund staff. In the case of home leave benefits, the proposed alignment would be to the greatest extent possible without altering current eligibility criteria set out in the Fund's By-Laws, Rules and Regulations.

36. **The objective of the CCBR exercise has been to ensure the Fund remains a competitive and attractive employment destination for a highly-qualified, international, and diverse staff.** The review of Fund benefits has sought to ensure an appropriate balance; the value of several benefits has been adjusted, in many cases downwards (including the value of appointment and relocation benefits, home leave, and the phase-out of tertiary education allowances). Those cost savings will create headroom for increased parental leave benefits and new childcare allowances, which will better support a younger workforce as the Fund experiences significant turnover due to staff retirements. The impacts of these changes vary for individuals depending on personal circumstances, number of dependents, and age of any children. If these changes are extended, as recommended, to Fund Executive Directors and their Alternates, it is anticipated the value of their benefits package would generally be reduced.

37. **Certain CCBR policy changes entail either new benefits or significant changes in existing benefits, as set forth below.** In line with Resolution 34-7, the 2020 JCR recommends these changes to the IMF's Board of Governors for approval through adoption of new Resolutions. These changes are described in more detail below.

Retirement Program: Defined Contribution Plan Option

38. **Effective May 1, 2021, newly-hired Fund staff may elect to join either the Fund's defined benefit Staff Retirement Plan (SRP) or its defined contribution Voluntary Savings Plan (VSP).** Staff members who elect to join the VSP rather than the SRP must contribute at least 7 percent of their gross remuneration, and the Fund shall contribute up to 14 percent. This is a significant change as, at present, the Fund does not make employer contributions on behalf of staff members who opt to enroll in the VSP in addition to the SRP; it makes a 5 per cent contribution for eligible contractual employees who are participants in the VSP. The ratio of

[2] Under a longstanding decision of the Fund's Executive Board, Senior Advisors to Executive Director receive employment benefits on the same basis as those of Executive Directors, and therefore the CCBR changes also do not apply automatically to these personnel.

employee/Fund contributions is modelled on that which applies for enrolment in the Staff Retirement Plan. Eligible staff members in the SRP may still participate in the VSP, but without any additional contribution by the Fund. In order for the VSP to remain a qualified U.S. plan, contributions will be capped at levels determined annually by the Internal Revenue Service. In 2019, these were: (i) gross remuneration for the purpose of defining the contribution cannot exceed $280,000; (ii) employee contributions are limited to $19,000 (in 2019), plus catch up contributions of up to $6,000 if the employee is age 50 or older; (iii) contribution by the Fund to the VSP, and by the employee to the VSP and the SRP, cannot exceed $56,000, not including any catch-up contributions.

39. **It is recommended that this option be made available to Executive Directors and their Alternates on the same basis as staff, for internal equity of treatment.** It is anticipated that few (if any) Executive Directors and Alternate Executive Directors would prefer to join the VSP rather than the SRP, as the latter offers a much more significant benefit, although contributions are also correspondingly much higher.

New Family-Related Benefits—Childcare Allowance

40. **To assist staff with young families, the CCBR changes include provision of a new childcare allowance of $12,000 per child for all staff members with children under the age of five years, irrespective of visa status of the employee.** After children turn age five, expatriate staff members are eligible for education allowances to support the tuition costs of education of their children in elementary and high school levels. Introduction of this new benefit reflects the impacts of a significant period of demographic change within the Fund, as many current staff will retire in in the next few years, and younger staff will be hired in their place. The CCBR exercise has included a focus on rebalancing the benefits package to support the Fund's ongoing attractiveness as an employer in a competitive labor market.

41. **Important transitional arrangements have been established for current expatriate staff who have children (or who may have children in the future)**, whereby they may elect either to receive the new childcare allowance or continue to be eligible for education allowances for tertiary (university level) education for their children. These are discussed in paragraph 48 below.

Parental Leave

42. **Similarly, in recent years the Fund has sought to recognize and support the need of its staff (both men and women) to take paid leave to care for their newborn or newly-adopted children.** Parental leave benefits for Fund staff were recently reformed in 2016, to make parental leave gender neutral for both men and women (40 working days of paid leave for any staff member who becomes a parent through birth or adoption), with an additional 20 working days of paid leave if the staff member is the birth mother, to assist medical recovery.

The Board of Governors has previously extended the 2016 changes to Executive Directors and Alternate Executive Directors.

43. **The CCBR changes extend the leave period to 100 working days of paid leave for all staff who become parents** (regardless of gender, family circumstance, or whether the staff member is the primary or secondary caregiver). Parental leave may be taken consecutively or flexibly, but Fund staff who are birth mothers must take the first thirty days of this leave on an uninterrupted basis. Following the precedent for aligning parental leave benefits of Fund Executive Directors and Alternate Executive Directors with those of Fund staff in 2016, the 2020 JCR recommends application of the new, increased amount of parental leave benefit to the Board of Governors for approval. These changes are also similar to the proposed changes in parental leave benefits for Bank Executive Directors and Alternates, referenced earlier in this report.

44. **For Fund staff, these changes came into effect on May 1, 2020.** It would not have been possible for the Board of Governors to complete the approval process in time for alignment of the effective date. However, as Executive Directors and Alternate Executive Directors already are entitled to take at least 40 days of parental leave, and may take additional reasonable casual leave if needed (with no defined purpose or limit), the JCR recommends that the new, increased parental leave benefit to Executive Directors and Alternate Executive Directors be made retroactive to May 1, 2020.

Education Allowances

45. **The Fund provides allowances to its expatriate staff to assist with the costs of educating their children aged between five years and up to age 24.** To receive these benefits, the child must be enrolled in an accredited educational institution which charges tuition fees. Thus, IMF staff who enroll their children in public schools (for which no tuition fees are charged) are ineligible for this benefit.

46. **The Fund reimburses tuition fees up to 75 percent of the annual tuition charge, subject to an annual ceiling**, for children enrolled in primary through tertiary education; in addition, for children enrolled in programs outside the United States (boarding school or university programs) and who are not living with a parent, the Fund provides a room-and-board, or subsistence allowance, and a travel allowance. In 2019, the ceiling for US schools (day pupils) is $29,190.

47. **Effective October 1, 2020, tertiary education allowances (tuition, subsistence and travel) will be discontinued for new expatriate staff hired after that date.** Such staff will be eligible to request education allowances for children enrolled in primary through secondary school (ending in 12th grade, the final year of high school). In addition, some administrative simplification of these benefits will be put in place for current and new staff, to adjust and streamline the ceilings for tuition, ancillary expenses, and for room and board.

48. **“Grandfathering” arrangements will apply to current expatriate staff who have a child aged five years or older as of October 1, 2020, or who have a child in future.** Under these transitional provisions they may choose *either* to receive the new childcare allowance or to receive tertiary education allowances. The election may be different between children in the same family, but once made, is irreversible for that child.

49. **The discontinuation of the tertiary education allowances is a significant change in the value of this benefit for Executive Directors and Alternates who join the Executive Board as of October 1, 2020.** The JCR considers it would be appropriate to seek the approval of the Board of Governors to this reduction in value, and in so doing, clarify that Executive Directors and their Alternates receive these benefits on the same basis as staff.

Appointment and Relocation Benefits—"Settling In” and “Installation” Allowances

50. **The Fund provides appointment benefits to incoming staff to assist with the costs of re-establishing their households in Washington DC.** These comprise two elements, a settling-in grant (equivalent to four weeks of salary for an incoming staff member who is single, and eight weeks of salary for one who has dependents), and a smaller installation allowance. The CCBR has replaced the installation allowance and settling-in grant with a single Appointment Grant, effective October 1, 2020. The installation allowance will be discontinued, and the basis of valuing the appointment grant will be made uniform. Going forward, the new Appointment Grant will be calculated based on a standard rate, i.e. standardized for all employees, and pegged to the value of the midpoint of the salary range for grade A12 positions (the typical hiring grade for new economist positions), rather than the individual’s specific salary. Accordingly, the Appointment Grant for staff is four weeks salary at the grade A12 midpoint for a single staff and eight weeks of the midpoint for families. For more senior incoming personnel, the reduction in the value of the benefit is significant; for an incoming Executive Director with a family, the difference would be about $20,000. However, the logic of the change for Fund staff is that the costs of relocating to Washington DC are similar for all personnel, irrespective of salary.

51. **The reduction in implied value is sufficiently large to warrant obtaining a new approval by the Board of Governors**, notwithstanding that Governors previously adopted a Resolution permitting Executive Directors to receive settling-in grants on the same basis as Fund staff.

52. **The present juncture provides a suitable opportunity to align the installation allowances of Executive Directors and Alternate Executive Directors with the changes approved under the CCBR for staff.** An “Installation Allowance” was initially introduced by Fund Management in 1960 for Executive Directors, on same basis as staff. The methodology for calculating this benefit for incoming Executive Directors and their families continues to be essentially the same as established in 1960: 30 days at a per diem rate for the Washington DC

area, plus a pro-rated amount for each eligible dependent. The value of the equivalent benefit for Fund staff is a uniform amount. Under the CCBR changes, the installation allowance for Fund staff will be discontinued effective October 1, 2020.

53. **There appears to be no ex-ante rationale for the difference in calculating installation allowance benefits for staff and Executive Directors.** Accordingly, the JCR recommends that, effective October 1, 2020, Fund Executive Directors and Alternate Executive Directors should be eligible to receive the new Appointment Grant on the same basis as Fund staff, in place of the installation allowance and settling in grant benefits previously made available to them.

54. **On May 29, 2020, the Executive Board approved a revision of the resettlement allowance payable to Fund staff on separation from the institution.** To ensure internal consistency and simplify administration of this benefit, the value of the resettlement allowance has been uniformly adjusted to one-half of the new appointment grant payable to staff, adjusted to take into account family composition. The JCR recommends that this change also be applied to Executive Directors and Alternate Executive Directors of the Fund, for internal equity of treatment.

Technical or Minor Modifications of Existing Policies

55. **The CCBR exercise also encompassed a number of technical changes to, or minor modifications of, existing benefits.** These changes are generally covered by "umbrella" decisions that have previously aligned these benefits policies for Executive Directors and Alternate Executive Directors with those of Fund staff. Nonetheless, these changes in existing benefits were brought to the attention of the JCR as matter of transparency and good governance. In line with past precedent and practice, the 2020 JCR has determined these changes, set forth in Table 1 below) may be effected by the IMF Executive Board.

56. **In addition to these technical changes, the JCR notes that the CCBR exercise also included certain measures for streamlining the administration and coordination of benefits between the Fund and the Bank**. These changes apply to employees transferring between the institutions, or who are employed in one institution and married to an employee of the other. The Fund's policies regarding loss of eligibility for expatriate benefits for those IMF employees who choose to relinquish legal permanent residence in the United States have also been clarified. The JCR notes these administrative measures and considers it appropriate for the Executive Boards of the Fund and the Bank to determine whether and how these measures should apply to Executive Directors and Alternate Executive Directors of the Fund and Bank.

Table 1. Technical/Minor Modifications of Existing Policies
(For referral to the Executive Board for application to Fund Executive Directors and their Alternates)

Approved CCBR Change for Fund staff	Substance of the Change	Type of Change	Relevant Existing Decisions	Effective Date for Fund Staff
Retirement Program: **Lump Sum Withdrawal:** + **Survivor Benefits:**	(i) Remove age and service limits (ii) Permit 100% commutation ▪ Calculation of Survivor Benefits shall be adjusted to take into account any commutation under the SRP	**Modification of existing benefits**, which do not alter the basic nature and/or value of the benefits.	**Board of Governor's Resolution 31-1** provides that EDs participate in SRP on same basis as staff. Nonetheless, there has been a consistent practice of informing the JCR of all substantive changes to the Staff Retirement Plan (reflecting the significant value of this benefit in the total compensation of Executive Directors). Previous JCRs have historically considered changes in commutation factors and extent as a technical change, and referred them back to the Executive Board for application to Executive Directors and their Alternates.	May 1, 2021
Expatriate Benefits: **Home Leave (Change in timing of home leave payments)** **Transitional Provisions**	Eligible staff will receive an annual lump sum cash allowance equivalent to one-half of the benefit applicable to the 24-month eligibility period. Transitional provisions allow staff who have accrued eligibility towards home leave under current rules to continue to accrue and take one final home leave under current policies before transitioning to the new system.	**Changes to achieve administrative simplification only.** Full alignment of Executive Director home leave benefits would require amendment of By-Law 14(f) to reflect a change from an accrued right over the eligibility period to a cash entitlement. Full alignment with Fund staff may result in more eligible OED employees and additional costs to the institution**.**	**Section 14(f) of the By-Laws:** Limits eligibility for dependents of EDs/Alternate EDs on entry to the third year of consecutive service and every second year thereafter Given the significant extension of this benefit that full alignment with staff benefits would imply, partial alignment only is proposed at this time (calculation of value of benefit, including annual CPI adjustment, removal of certification requirements and same transitional provisions for utilization of accrued home leave benefits under current rules), to be referred back to the Executive Board for application to Executive Directors and their Alternates, consistent with Section 14(f) of the By-Laws.	October 1, 2020

VII. RECOMMENDATIONS REQUIRING A VOTE BY THE BOARDS OF GOVERNORS

58. In light of the recommendations on the remuneration of Fund and Bank Executive Directors and their Alternates, the Committee recommends that the draft Resolutions set out in Attachments I and II be adopted by the Board of Governors of the Fund.

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

Ernest Addison
JCR Chairman

Cesar Purisima
JCR Member

Jan Smets
JCR Member

Attachment I

INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION

Direct Remuneration of Executive Directors and their Alternates

RESOLVED:

THAT effective July 1, 2020, the remuneration of the Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be paid in the form of a salary without a separate supplemental allowance, and such salary shall remain unchanged at $265,030 for Executive Directors, and at $229,270 for Alternates.

Attachment II

INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION

Benefits of Executive Directors and Alternate Executive Directors

WHEREAS in a Comprehensive Compensation and Benefits Review, the IMF's Executive Board has approved several changes in the employment benefits of Fund staff, effective beginning May 1, 2020 through May 1, 2021; and

WHEREAS application of certain of these changes in benefits to IMF Executive Directors and Alternate Executive Directors requires the approval of the Board of Governors through the adoption of new Resolutions; and

WHEREAS in its Report to the Board of Governors the 2020 Joint Committee on the Remuneration of IMF [and World Bank] Executive Directors notes that the extension of the recent changes in the benefits applicable to Fund staff to Fund Executive Directors and Alternate Executive Directors would be consistent with past practice, maintain internal equity of treatment, and be desirable for reasons of administrative efficiency;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

Appointment Grant:

Effective October 1, 2020, Executive Directors and Alternate Executive Directors, on entering active duty at the Fund shall be eligible to receive an Appointment Grant, taking into account the composition of the household, on the same basis as these benefits are made available to Fund staff.

As of the effective date of this policy, the Appointment Grant shall replace the former Settling-In Grant and Installation Allowances previously made available to Executive Directors and their Alternates.

Resettlement Allowance:

Effective October 1, 2020, Executive Directors and Alternate Executive Directors, on separation from the Fund, shall be eligible to receive a Resettlement Allowance, taking into account the composition of the household, on the same basis as these benefits are made available to Fund staff.

Childcare Allowance:

Effective October 1, 2020, Executive Director and Alternate Executive Directors shall be entitled to a childcare allowance for each child under five years of age, on the same basis as Fund staff.

As a transitional provision, eligible Executive Directors and their Alternates who are employed at the IMF as of October 1, 2020, and who currently have a child under the age of five, and/or who have a child in the future, may elect to take either the childcare allowance or tertiary education allowances for each child, but not both. Election between the childcare allowance and tertiary education allowances may differ between children in the same family, but is irreversible once made.

Education Allowances:

IMF Executive Directors and Alternate Executive Directors shall continue to be eligible to receive education tuition and travel allowances for their eligible children on the same basis as Fund staff.

Eligible Executive Directors and Alternate Executive Directors who join the Fund on or after October 1, 2020, shall be eligible for education allowances to support primary and secondary school education for their children aged five years and older, but shall not be eligible for tertiary education allowances.

As a transitional provision, eligible Executive Directors and their Alternates who are employed at the IMF as of October 1, 2020, and who currently have a child under the age of five, and/or who have a child in the future, may elect to take either the childcare allowance or tertiary education allowances for each child, but not both. Election between the childcare allowance and tertiary education allowances may differ between children in the same family, but is irreversible once made.

Parental Leave:

IMF Executive Directors and Alternate Executive Directors, in order to enable them to assume responsibility for the care and wellbeing of their new-born or newly-adopted children, shall be entitled to parental leave benefits of up to 100 work days. If the Executive Director or Alternate is the birth mother, the first 30 days of leave shall be taken on an uninterrupted basis, to facilitate recuperation. The administration of this benefit will be guided by the prevailing rules applicable to Fund staff to the extent that those rules are consistent with the terms of service for Executive Directors and their Alternates.

Consistent with the intention to align parental leave benefits of Fund Executive Directors and Alternates with the parental leave benefits for Fund staff, any Executive Director or Alternate Executive Director who became a parent of a new-born or newly-adopted child on or after May 1, 2020 shall be entitled to extend his/her paid parental leave from 60 work days to up to 100 work days.

Retirement Benefits Defined Contribution Plan Option:

Effective May 1, 2021, Executive Directors and Alternate Executive Directors who enter Fund service on or after that date, may elect to join either the Fund's Staff Retirement Plan, or may elect to join the Fund's Voluntary Savings Plan. Executive Directors and their Alternates shall participate in the Fund's retirement benefit plans on the same basis as Fund staff.

Appendix 1

KEY FINDINGS OF AN INDEPENDENT ASSESSMENT OF THE ROLES, RESPONSIBILITIES, AND FUNCTIONS OF IMF AND WORLD BANK EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

1. The following findings are taken from a report prepared by Korn Ferry Group, an external consulting group commissioned by the 2020 JCR, following the recommendation of the predecessor 2019 JCR to conduct an independent assessment of the following issues:

- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors relative to each other, and relative to the heads and deputy heads of the two institutions.
- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors vis-à-vis senior positions in central banks, ministries of finance and economy, and relevant international organizations.
- A technical assessment of industry trends in remuneration of macrofinancial and development experts, and approximate differentials between benchmark positions in the public and private sectors.

2. Using a structured interview protocol, the consultant has interviewed, in the IMF, seven Executive Directors and seven Alternate Executive Directors, and in the Bank nine Executive Directors and six Alternate Executive Directors, plus former Executive Directors employed in the institutions. A total of 30 interviews were conducted. Interviewees included representatives of a mix of advanced and emerging economies including single country and multi-country constituencies, and individuals who had gained experience in both institutions over the course of their careers.

3. In addition to these in-person interviews, the consultant conducted a survey (made available to all Executive Directors and Alternate Executive Directors in the Fund and the Bank), requesting them to rank the importance of 15 critical leadership competencies, critical aspects of their role, and the culture they need to work in to be effective. Responses were received from 32 Bank Executive Directors and Alternates and 29 Fund Executive Directors and Alternates.

4. The consultant also considered these positions using its own proprietary tool for job evaluation to consider the uniqueness of the Fund and Bank Executive Director and Alternate Executive Director jobs, and allow comparisons based on jobs of similar size and complexity.

5. The consultant has used these inputs to develop composite representations, and success profiles, of these positions. A composite profile of the interviewees indicates strong similarities

in the age, academic training and professional background across the two institutions. In both institutions, the interviewees had significant experience in the public sector (about twenty years, obtained mostly in central banks, ministries of finance, and foreign ministries), while some had prior experience in the private sector, academia, and other institutions. The JCR notes that a review of the sample group against the current profiles of all Executive Directors serving on the Fund and Bank Executive Boards indicates these characteristics are generally representative of the two Executive Boards.

6. To assess the positioning of Fund and Bank Executive Directors relative to external comparators, the consultant developed a remuneration concept matrix, which assessed how Executive Directors and Alternates might be considered and compared as employees working inside the home country, expatriates working for their home country while located outside that country; and as home country employees on short-term, temporary assignments not working in the home country. Using this matrix, the consultant concluded that if the home countries of the Directors and Alternates determine their remuneration independently of each other, the likely result will be multiple pay levels for equivalent roles", a result which would run counter to the philosophy of equal pay for equal work. The consultant has therefore considered, as an alternative, pay practices in a range of external comparators: government and quasi-government organizations, especially G20 civil service (ministries of finance and central banks); pay practices in G20 public sector organizations more generally; state-owned enterprises in G20 countries; government expatriates (embassies); international organizations, including ADB, AfDB, EBRD, and IADB; European Union Commissioners; the structure and level of remuneration for Directors serving on private sector and public sector boards, and on boards of non-profits; and remuneration in academia.

7. The findings of the consultant are presented below. These findings are presented either verbatim, or lightly edited to maintain grammatical sense when grouping excerpts.

Role and Critical Skills of Effective Executive Directors and Alternate Executive Directors

8. **Interviewees across both institutions generally agree that their respective organizations are working effectively, ensuring appropriate oversight, accountability and compliance, and maximizing the effectiveness of current resources.** Many Executive Directors commented that both organizations are changing and becoming more complex, which requires more strategic governance and management. The mandate of the Bank to end extreme poverty and promote shared prosperity is implemented across several separate institutions, creating a highly complex decision-making environment with a very broad focus including lending, financing investment, advisory services, risk insurance, and dispute resolution. [1] On the

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[1] The Bank's Executive Board has oversight authority over four institutions of the World Bank: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). (continued)

Fund side, interviewees noted that the mandate of the Fund to safeguard global economic stability and the international financial system has expanded to include, inter alia, financial sector soundness, climate change, fintech, and anti-corruption issues.

9. **In both institutions, the strategic planning process is healthy as it directly involves the Executive Boards.** Performance against strategy is monitored continually and reviewed annually for the organization; and most interviewees felt they are held accountable for the proper execution of the strategy.

10. **Both the Fund and Bank interviewees concur that the mission and mandate of the Fund and the Bank, Executive Directors and their Alternates are accountable to a large number of internal and external stakeholders.** Decision-making is complex, but there is strong collaboration within the Boards, which allows consensus to form even if there is disagreement on certain issues. Consistent with this collaborative culture, more time is spent on communicating, consulting, influencing, negotiating, and networking than on any other category of work. Executive Directors and Alternates in both institutions ranked the cultural values of the institution in the following order, ranked from most important to least important: Collaborative (a sense of shared mission, continuous development and improvement, collaboration, empowerment); Structured (efficiency, structure, control, consistency, rules, tradition, norms, performance, accountability); Innovative (entrepreneurship, market foresight and disruption, cutting-edge innovation, strategic partnership); and Competitive (competition, customer and external focus, drive for results, market share). Moderate differences only emerged between the assessment of critical skills. Respondents in both institutions ranked strategic vision, global perspective, persuasiveness, and balancing stakeholders as mission critical skills. Managing ambiguity, navigating networks, managing conflict, and aligning execution were consistently identified as critical skills by respondents in both institutions as well.

Comparability of Roles and Responsibilities

11. **The roles of Executive Directors and Alternate Executive Directors in the Fund and the Bank are more similar than not**, with the same overall roles and responsibilities, as well as behaviors necessary for success.Differences in roles between the Fund and the Bank are minor, primarily dealing with the different missions of the two organizations. Formally the positions of Executive Director at the Fund and the Bank appear to have some strong similarities. Many Executive Directors commented that the Fund and Bank seem to be coming together more on issues that may impact the future.

12. **The consultant has been unable to identify either consistent differences, or in many cases, meaningful differences between the positions of Executive Director and Alternate Executive Director**, and is uncertain whether these can be firmly measured and persuasively

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The Bank group of institutions also includes the independent International Centre for Settlement of Investment Disputes (ICSID).

translated to compensable differences in salary. The selection of an individual for an Executive Director position versus an Alternate position is not necessarily due to greater expertise, experience, stature (although that may be the case) but due to selection and rotation practice of a constituency. In some cases, the role of Executive Director and Alternate appear to be fully interchangeable; however, in others the Alternate may function along a spectrum of roles, including in a purely technical or support capacity. Since the job of Alternate is treated in different ways across both the Fund and the Bank, a composite representation of the position in practice is not possible.

Positioning of Executive Directors' Remuneration Against External Comparators

13. **The consultant has assessed the remuneration of Executive Directors against a range of external benchmarks,** including base salary data for civil services (ministries of finance/economy and central banks) in G20 member countries; G20 state-owned enterprises, government expatriates (embassies); other international organizations, academia, and the private sector. The purpose of this part of the study was, in the consultant's words, to assess the "reasonableness" of Executive Directors' base remuneration against these comparators.

14. **An extensive review of multiple external benchmarks indicates that the current overall remuneration plan design is efficient and practical** while retaining sufficient safeguards to ensure pay levels do not lose touch with the market place of its comparator international organizations. The JCR's longstanding practice has been to establish a single salary for all IMF/WB Executive Directors and Alternate Executive Directors, and to apply uniform adjustments to all individuals. This process is reasonable and very common amongst the sectors reviewed by the consultant.

15. **The key findings on positioning of Executive Directors' and Alternate Executive Directors' remuneration relative to external comparators are as follows:**

- **There is no compelling reason or evidence to set pay differently across the two organizations, based on the consultant's assessment of the roles and responsibilities of Fund and Bank Executive Directors and their Alternates and the success profiles for these positions.** Nonetheless, the consultant recognizes that the JCR would need to consider whether maintaining direct equity across IMF/WBG is a priority or concern for the two organizations.

- **Public sector pay systems tend to reward experience, reflecting a philosophy that emphasizes dedication to the mission**, accompanied by the view that "people do not work in the public sector for money". Compensation in the public sector tends to comprise only three "ingredients" base salary, pension, and holidays, with little use of variable compensation.

- **The consultant has provided data that indicates that, on average, the current *net* salaries of IMF and World Bank Executive Directors are positioned towards the upper**

end of the range for *gross* salaries of external comparators in the sampled G20 civil service organizations (well above the 75th percentile) and central banks (close to the 75th percentile). The consultant notes that there is considerable variability in pay across the sampled countries and this analysis reflects base salaries only (converted into US dollars), excluding other aspects of pay. Nonetheless, these indicators suggest that Executive Directors' remuneration remains competitively positioned relative to these comparators, which are the main reservoir of the talent pool for the two Executive Boards.

- **An assessment against the remuneration of Directors on a sample of G20 State-Owned Enterprises indicates the current net salaries of IMF and World Bank Executive Directors are positioned within the upper third of the gross salary range for these positions**, comfortably between the 50th and 75th percentiles. The salary range for such senior SOE positions is wider than that of the civil sector/central banks; the low and high ends of the range are considerably further apart. The consultant suggests that Directors serving on the Boards of G20 state-owned enterprises could be considered as an external comparator, given their role in ensuring company stewardship, determining corporate strategies and assessing managerial performance, as well as similarities in dual accountability to serve the interests of the enterprise and interests of the state as shareholder. However, it is noted that these Boards often comprise a mix of directors, some of whom represent the state and others who are independent.

- **Significant differences in the structure of compensation of members of the Senior Foreign Service of the United States ("career ministers" or "minister-counselors") suggests these positions are not a solid benchmark for Executive Directors' remuneration.** These positions were considered on the basis of the scope of their functions, leadership role, and seniority. The consultant notes, however, that these positions are typically paid a significantly lower base salary (the maximum gross salary for a career minister is approximately 68 percent of the current net salary of an IMF Executive Director or 70 percent of the net salary of a World Bank Executive Director). However, much of the compensation for these positions is managed through a wide range of expatriate benefits, some which are taxable while others are treated as reimbursements. These average supplemental allowances can total more than 120 percent of average base salaries, but are difficult to monetize due to differences in locations, family size and position levels.

- **It is difficult to establish a robust benchmark to similar Executive Board positions in other international organizations (including the AIIB, ADB, EBRD, IADB, UN and WTO).** These organizations either do not maintain resident Executive Boards, or the organization does not have a role comparable to Executive Director, or because the compensation model for their Executive Boards is partly or fully benchmarked to that of the IMF and World Bank. Similarly, there are difficulties in establishing meaningful benchmarks to private sector and non-profit organizations, as these organizations typically have no equivalent position of resident Executive Director. Data from the academic sector is too inconsistent to be able to draw firm conclusions.

- **The consultant notes that the Fund and Bank's net-of-tax compensation (in common with other international organizations) is a very efficient way to deliver pay**, as it avoids the need for manage complex "allowance" programs and administer tax equalization schemes. Importantly, this is achieved with minimal administrative burden both in terms of pay delivery and annual or periodic updating of Executive Director and Alternate Executive Director pay levels.

Benchmark for Annual Salary Adjustments

16. **To achieve equity between the Fund and the Bank, the consultant recommends that salaries of Fund and Bank Executive Directors (and also of Fund and Bank Alternate Executive Directors) should be equalized** (i.e. the current 2.5 percent gap that first arose in 2018 should be closed). The consultant also suggests that, as a mechanism to reduce the need to assess whether pay is appropriate given roles and responsibilities, consideration could be given to establishing a formal "pay range" benchmarked to pay in external comparators (to be defined). Consideration could also be given to establishing a benchmark for annual adjustments based on an assessment of average "pay inflation" in the salaries of selected external comparators in G20 member countries (to be determined by the JCR). The consultant considers this approach is more current in comparator compensation models than a benchmark to price inflation (i.e., the current benchmark of CPI).

17. **Nonetheless, the current methodology for benchmarking annual salary increases using an inflation measure has some strong advantages.** The factor is readily available and would enable interim updates to occur in line with Washington DC inflation in between years in which the JCR commissions external surveys.

Internal Salary Relativities

18. **When comparing roles and responsibilities, the consultant finds that there are clear differences between the top-level positions (heads) of the two institutions, Executive Directors, and senior staff.** There are differences between the Executive Director roles and senior staff from a job evaluation methodology, and accountability differs as internal operational (senior staff) roles have high impact and are held accountable for results, whereas Executive Directors and their Alternates are responsible for ensuring proper integration and guidance around results. Senior staff at IMF/WBG may also require unique skill sets in certain functions and expertise that are needed for both internal and external operations. Staff salaries and increases are managed under a rules-based approach that is approved by the Board based on comprehensive studies against the market. The consultant notes that senior staff salaries appear to be set on the necessity to attract and retain desirable employees in a competitive marketplace.

Total Compensation

19. **The consultant notes that direct salaries of Executive Directors and their Alternates form only part of the compensation of these positions**. In addition to their base salaries, Executive Directors and their Alternates in both institutions receive extensive employment benefits, which are largely aligned with those of the staffs. Benefits are generally in line with other IFIs and with those offered to expatriate staff in other peer institutions. In addition, Executive Directors who hold diplomatic status are also exempt from certain customs and personal expenditures, in keeping with similar relief available in other international organizations.

Remuneration

IMF Secretary's Department Use Only

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Date ___________________________

Verified by (Initials)_______________

Date ___________________________

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INTERNATIONAL MONETARY FUND

BOARD OF GOVERNORS VOTE WITHOUT MEETING

DEADLINE: **6:00 p.m., Washington time on August 26, 2020**

Concerning the draft Resolution on the **Direct Remuneration of Executive Directors and their Alternates**, I wish to cast my vote as follows:

Approve ☐ Disapprove ☐ Abstain from Voting ☐

________________________________ Member Country

________________________________ Name of Governor/Alternate Governor

________________________________ Signature

________________________________ Date

Complete this part only if someone other than the Governor or Alternate Governor is transmitting the communication.

I am directed by ________________________________ to transmit this communication.
Name of Governor/Alternate Governor

____
Name, title, and department

____
Signature of official transmitting the communication of the Governor or Alternate Governor

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1. Completed ballot forms may be transmitted to the International Monetary Fund either online, email, or facsimile. To be valid, votes must be received at the seat of the Fund on or after July 1, 2020, but not later than **6:00 p.m. Washington time, on Wednesday, August 26, 2020.**

2. To be valid, votes must be cast by the duly accredited Governor of the Fund, or in his/her absence, the duly accredited Alternate Governor of the Fund. Another government official duly authorized to transmit the communication on behalf of the Governor or Alternate Governor must complete the bottom part of the ballot form.

The ballot form should be addressed to The Secretary of the Fund and transmitted:

Online: **Secure Online Voting System on www.imfconnect.org (Requires an IMFConnect account with username and password)**

Email: **comfront@imf.org**

Facsimile: **(202) 623-4661 or (202) 623-4662**

Benefits

IMF Secretary's Department Use Only

Recorded by (Initials) _______________

Date ______________________________

Verified by (Initials)_________________

Date ______________________________

Valid: ☐ Invalid: ☐ If so, type:

INTERNATIONAL MONETARY FUND

BOARD OF GOVERNORS VOTE WITHOUT MEETING

DEADLINE: **6:00 p.m., Washington time on August 26, 2020**

Concerning the draft Resolution on the **Benefits of Executive Directors and Alternate Executive Directors,** I wish to cast my vote as follows:

Approve ☐ Disapprove ☐ Abstain from Voting ☐

______________________________ ______________________________
Member Country Name of Governor/Alternate Governor

______________________________ ______________________________
Signature Date

Complete this part only if someone other than the Governor or Alternate Governor is transmitting the communication.

I am directed by ______________________________ to transmit this communication.
Name of Governor/Alternate Governor

____
Name, title, and department

____
Signature of official transmitting the communication of the Governor or Alternate Governor

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Report and Recommendations of the 2020 Joint Committee on the Remuneration of IMF/World Bank Executive Directors and their Alternates

~~July 1, 2020~~
Revised July 20, 2020

I. EXECUTIVE SUMMARY

1. Under the By-Laws of the IMF (the Fund) and the World Bank (the Bank), a standing Joint Committee on the Remuneration (JCR) of Executive Directors and their Alternates is constituted each year to "consider all matters affecting the remuneration and other benefits of the Executive Directors of the Fund [Bank] and of their Alternates, and from time to time, but at least by July 1 of each year in which a regular election of Executive Directors is scheduled to be held . . . to make such recommendations for any action by the Board[s] of Governors on the said matters as the Joint Committee shall deem advisable."

2. The 2020 Joint Committee on Remuneration comprises Mr. Ernest Addison, Governor of the Bank of Ghana (Chair); Mr. Cesar Purisima, former Secretary of Finance for the Philippines, and former Governor of the World Bank; and Mr. Jan Smets, former Governor of the National Bank of Belgium and former Governor of the Fund. Due to the circumstances of the COVID-19 pandemic, the JCR convened via videoconference on May 18, 2020 for preliminary discussions, and again on June 15, 2020 to conclude its deliberations.

3. To inform its deliberations, the 2020 JCR has reviewed a broad range of factors, including: the report of an independent consultant examining the roles, responsibilities and functions of Executive Directors and Alternate Executive Directors in the Fund and the Bank, their comparability with each other, and the positioning of their remuneration relative to a range of external comparators; data on internal salary relativities within the Fund and the Bank, and the evolution of Executive Directors' remuneration relative to those of the heads of the institutions and the senior staff; developments in the regional consumer price index; information on the educational and professional profiles of Executive Directors serving on the Boards of the Fund and the Bank; and the situation unfolding in the global economy as a result of the COVID-19 pandemic. The JCR has also taken careful note of the findings and recommendations of its immediate predecessors, the 2018 and 2019 JCRs and the pattern of voting by the two Boards of Governors in each of those years.

4. Taking all of these factors into account, the 2020 JCR has made the following findings and recommendations, which are presented in more detail in its report:

(i) **The roles, responsibilities and functions of Fund and Bank Executive Directors and Alternate Executive Directors appear to be comparable.** While there are some differences, these are minor and do not appear to warrant setting base salaries at different levels between the institutions. Accordingly, **it would be desirable to close the gap (2.5 percent)** between the salaries of Executive Directors and Alternate Executive Directors of the Fund and the Bank that arose in 2018;

(ii) **However, the grim outlook for the global economy in the wake of the COVID-19 pandemic suggests that remedial action in this area should be deferred** until conditions have improved. As conditions permit, **future JCRs may wish to consider recommending a supplemental upwards adjustment in the salaries of Bank Executive Directors and Alternates**, either progressively over time or handled as a single step adjustment;

(iii) **In light of the first finding above, the JCR concludes that the salaries of Fund and Bank Executive Directors should continue to be adjusted by the same factor annually,** to avoid widening the existing disparity. The appropriate benchmark continues to be the **change in the consumer price index for the Washington, DC area**: a neutral, objectively-determined benchmark that preserves real incomes and maintains relativities with the heads of the two institutions;

(iv) **As the May 2019-May 2020 CPI is slightly negative, -0.1 percent, the 2020 JCR <u>recommends</u> that no change be made** to the salaries of Fund and Bank Executive Directors and their Alternates this year. The JCR recognizes that this will result in three years of salary freezes for the Bank's Executive Board and two years for the Fund's;

(v) **Nonetheless, the JCR is reassured that the current level of Executive Directors' remuneration in both institutions remains highly competitive** relative to external comparators across G20 member countries. Total compensation (net salaries and a wide range of employment benefits) continues to be highly favorable relative to the gross remuneration of senior positions in G20 civil services and central banks; and

(vi) **For administrative efficiency, the employment benefits of Fund and Bank Executive Directors should continue to be aligned with those of the staffs** of the two institutions to the extent possible. The JCR recommends that several changes in the benefits of Fund staff approved in the recent Comprehensive Compensation and Benefits Review be applied to Fund Executive Directors and Alternates, and that changes in parental leave benefits approved for Bank staff in 2018 be applied to Bank Executive Directors and their Alternates. These changes will require approval by the Boards of Governors of the respective institutions.

II. BACKGROUND

5. **The background for this year's JCR work has been complicated by two unusual events: the unfolding impacts of the novel coronavirus pandemic and the ongoing implications of the differences in the remuneration of IMF and World Bank Executive Directors which emerged in 2018**.

6. **The COVID-19 pandemic continues to exact an immense toll on human life globally, and the world economy remains stalled by the ongoing need for lockdowns and containment measures.** Throughout the Fund and Bank memberships, governments have responded to the crisis with unprecedented fiscal measures aimed at bolstering healthcare systems, preserving jobs, and providing direct support to businesses and households. Central banks have responded strongly by injecting liquidity into financial markets and taking on an increasing amount of debt. Even so, the outlook remains uncertain, with risks tilted to the downside. Forecasts of the depth and duration of the economic contraction, caused by disruptions to supply chains and slump in demand, continue to worsen. Government indebtedness has risen sharply as efforts focus on shoring up the economy; but inevitably, these debts will need to be addressed in the future.

7. **In these circumstances, the Fund and the Bank continue to play a critical role at the center of the international financial architecture, responding strongly to unprecedented new demands.** Both institutions have adapted rapidly to the great challenges facing their members, through policy measures, new lending tools, flexible use of existing lending mechanisms and debt forgiveness. Both Executive Boards have stepped up to the task admirably, even as lockdowns have required the institutions to find new ways of working. The JCR recognizes the important role that Executive Directors and Alternate Executive Directors have played in these difficult times, as they navigate these issues in a way that preserves the consensus-based decision-making process that underpins the Bretton Woods institutions. The current juncture amply demonstrates the critical role that the Executive Boards play as servants of the global economic good, working for the welfare of all members.

8. **In addition to these extraordinary circumstances, the 2020 JCR notes that the 2019 JCR recommended no change to the salaries of Executive Directors and their Alternates in the Fund and the Bank**, pending completion of an independent review of the roles, functions and responsibilities of IMF and World Bank Executive Directors and their Alternates, and an assessment of remuneration trends in external comparator organizations. These proposals were strongly endorsed by the Boards of Governors of both institutions.

9. **The 2020 JCR further notes that the 2019 Committee's recommendation responded to the voting outcome by the Boards of Governors in 2018**, in which the memberships of the Fund and the Bank responded differently to the identical salary increase recommendation of that year's JCR, resulting in approval of a 2.5 percent salary increase for Fund Executive Directors

and their Alternates, and rejection of the same increase for their Bank counterparts. Since 2018, the salaries of Fund Executive Directors and Alternate Executive Directors have been slightly higher than those of their Bank counterparts. The recommendation of the 2019 JCR Committee for an independent assessment of the comparability of the role and responsibilities of Executive Directors in both institutions, and the positioning of their remuneration relative to external comparators, sought to provide clarity to future committees on an appropriate path forward.

10. **Against this backdrop, the 2020 JCR has considered four key issues:**

- **The comparability of the role and responsibilities of IMF and World Bank Executive Directors and their Alternates**, and positioning of their remuneration against external comparators;
- **Desirability of, and scope for restoring pay equity** between IMF and World Bank Executive Directors and Alternate Executive Directors;
- **An appropriate benchmark for annual salary adjustments** of Executive Directors, both for this year and going forward;
- **The benefits of Executive Directors and Alternate Executive Directors**. This year, the JCR has considered proposals for several changes in the benefits of IMF Executive Directors, following changes in the equivalent benefits for the Fund staff approved in the Comprehensive Compensation and Benefits Exercise, completed in December 2019. The JCR has also considered a proposed change in the parental leave benefits of Bank Executive Directors and Alternate Executives following changes in these benefits for Bank staff in 2019.

III. INDEPENDENT ASSESSMENT BY EXTERNAL CONSULTANT

11. **The 2020 JCR has benefitted greatly from the work commissioned by its predecessor committee to provide a detailed, independent assessment of the roles and responsibilities of Executive Directors in the IMF and World Bank, and an assessment of how their remuneration is currently positioned in relation to relevant external comparators.** As noted by the 2019 JCR, a similar study was conducted in 2000; given the passage of time, the findings of that review warranted a fresh, fully independent assessment by an external consultant. As outlined in its report to the Boards of Governors of the Fund and the Bank, the 2019 JCR recommended this work cover:

- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors relative to each other, and relative to the heads and deputy heads of the two institutions.

- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors vis-à-vis senior positions in central banks, ministries of finance and economy, and relevant international organizations.
- A technical assessment of industry trends in remuneration of macrofinancial and development experts, and approximate differentials between benchmark positions in the public and private sectors.

12. **Following strong endorsement of this proposal by the memberships of the two institutions, the JCR Secretariat conducted a competitive selection process, in line with relevant procurement rules, and engaged Korn Ferry to conduct this work.** Korn Ferry is a prominent global consulting firm with extensive experience in analyzing total remuneration issues in the public and private sectors. The report of the consulting team is comprehensive and thoroughly researched, and the 2020 JCR considers it provides a firm foundation on which to base its views. The consultant's findings on the roles and responsibilities of Executive Directors and Alternate Executive Directors in the Fund and the Bank were obtained through a combination of confidential in-person interviews with several Executive Directors and Alternate Executive Directors in each institution, and an online survey that was made available to all Executive Directors and Alternate Executive Directors in both institutions. To assess the positioning of Executive Directors' remuneration against external benchmarks in other organizations and sectors, the consultant has drawn on its own proprietary data and information obtained by its extensive network of external contacts.

13. **Given the candid views expressed by interview participants, the consultant's report remains confidential to the JCR and will not be circulated.** The key findings of the consultant are presented in Appendix 1, and are presented largely verbatim. This approach is consistent with the decision taken by the 2000 JCR to maintain confidentiality of the consultant's report commissioned in that year, while describing the key findings that underpinned its recommendations. Given the comprehensive nature of the report, the time required and expense incurred in preparing it, the 2020 JCR considers that this report may be used as a reference document by future committees for many years. It is expected that future JCRs will be able to operate on a more streamlined basis, with reference to a more limited set of indicators, in line with the recommendations of the 2019 JCR.

IV. 2020 JCR DELIBERATIONS ON THE DIRECT REMUNERATION OF FUND AND BANK EXECUTIVE DIRECTORS AND THEIR ALTERNATES

Comparability of Roles and Responsibilities in Fund and Bank:

14. **The 2020 JCR considers that the functions and responsibilities of the two Executive Boards should be seen as comparable in complexity and importance.** This view is strongly supported by the findings of the external consultant. The 2020 JCR recognizes the IMF and the

World Bank are responding strongly and rapidly to meet new needs of their member countries at a time of enormous social and economic turmoil. As noted above, the Executive Boards of the Fund and Bank are playing a critical role in overseeing the work of the Fund and the Bank at a time of crisis and are taking forward a challenging and extensive agenda. Under their respective mandates, the work of the two institutions is complementary, and mutually reinforcing.

Restoring Parity of Salary Treatment between the Fund and the Bank

15. **Given their comparable roles and responsibilities, the JCR agrees in principle that it would be desirable to restore parity of remuneration of Fund and Bank Executive Directors and Alternate Executive Directors.** Historically, the salaries of Fund and Bank Executive Directors remained identical until 2018, when a 2.5 percent gap opened between them for the reasons outlined in the Background section above. The JCR concurs with the consultant's finding that there appears to be no compelling rationale for a difference in salary treatment, based on substantive and measurable differences in the nature of these positions between the two institutions.

16. **While the 2020 JCR encourages Bank Governors to consider further whether the current pay gap should persist in future, the Committee considers that a cautious path is appropriate, at this time, given the following considerations**:

- **The Fund and Bank are part of the international public sector and remain at all times accountable to the member countries they serve.** Executive Directors and Alternate Executive Directors are elected or appointed directly by member countries, and changes in their remuneration must similarly be approved by the membership. In this regard, the JCR notes the consultant's finding that most Fund and Bank Executive Directors and Alternates generally enter these roles with extensive prior experience in the public sector.
- **The impacts of the COVID-19 crisis would appear to limit the scope for corrective action to close the 2.5 percent pay gap between Fund and Bank Executive Directors at this time and potentially for the immediate period ahead.** While the impacts of the current COVID-19 crisis on the public sector have, so far, been limited in terms of job losses, the increase in public sector indebtedness as governments struggle to mitigate the worst effects of the crisis will need to be addressed in due course through offsetting measures to reduce expenditures or increase revenues, including possible tax increases. The consultant notes that several member countries may be considering salary freezes (a more common form of wage control in public sector organizations than job cuts). Given the deteriorating global economic outlook, the JCR considers there will likely be limited, if any, appetite in many member countries for significant efforts to close the pay gap between Fund and Bank Executive Boards at this juncture.

- **The data presented for G20 civil service remuneration, in particular, suggests that the current level of salaries – while slightly different between the two institutions – remains very competitive, especially given the favorable tax treatment and extensive benefits.** Given the global focus and complex nature of the work of the Fund and Bank Executive Boards, the JCR agrees with the consultant that it is important that Executive Directors' pay is positioned appropriately to attract top talent. The Committee is reassured that the consultant's assessment against the key source of the recruitment talent pool for these positions suggests that Executive Directors' salaries are positioned well relative to the most directly relevant external comparators. While the data provided for remuneration in other external comparators provides a useful reference point, the JCR concludes that there are sufficient differences between the nature of the Fund and the Bank and other non-public sector comparators (especially in terms of the structure of compensation) to warrant giving less weight to these alternative comparators.

17. **Looking ahead, the possible modalities and timing of a "catch up" on the Bank side must be carefully assessed.** The JCR considers that any such action should, in principle, be handled as an upwards adjustment to Bank Executive Directors' salary. Given the solid support for the 2.5 percent salary increase demonstrated by Fund Governors in 2018, there seems to be no case for handling such an adjustment through a relative reduction in salaries for Fund Executive Directors. Future JCRs may wish to consider the feasibility of a "two-step" process. This could entail presenting, in addition to a recommendation for a uniform annual salary increase for Fund and Bank Executive Directors and their Alternates, a separate supplemental recommendation for a further adjustment to the salaries of Bank Executive Directors and Alternates, to either fully or partially close the gap.

Appropriate Benchmark for Annual Salary Adjustments

18. **The JCR strongly believes that the May-to-May change in the consumer price index for the Washington DC area remains the most appropriate benchmark for annual adjustments to the salaries of Fund and Bank Executive Directors and their Alternates.** This benchmark continues to offer an objective, neutral metric, which preserves parity of salary treatment with the heads of the two institutions, and recognizes changes in the cost of living in the duty station. The JCR is unconvinced that the alternative approach suggested by the consultant—establishing a variable pay range, and benchmarking to pay inflation in selected member countries—offers a better approach. Both elements would appear to introduce significant subjectivity – both in setting the range and applying it, and in identifying the mix of comparators which would be used to calculate the annual adjustment. The difficulty and cost of administering such an approach would appear to outweigh any benefits associated with moving to a more "up to date" approach, especially as the assessment against external comparators appears to indicate that the CPI benchmark which has been followed for over a decade continues to position Executive Directors' remuneration very competitively against external comparators.

19. **The JCR concurs with its predecessor committees, and the consultant's view, that movements in the salaries of the career staff of the Fund and the Bank are not an appropriate benchmark for the remuneration of Executive Directors.** Past JCRs have avoided establishing a direct link between the compensation system for Executive Directors and the staffs, given the conflict of interest that would arise as the two Executive Boards must approve the annual increases in staff compensation. The consultant's report also confirms the view of recent JCRs that the role and responsibilities of the Executive Boards, managements, and operational staff in the institutions are distinct and differ in important respects. The considerations underpinning staff remuneration are not directly relevant to the Executive Boards, given important differences in the roles of the career staff (who perform the technical and operational work of the institutions) and the Executive Boards (who provide oversight and guidance on behalf of the member countries, a political role).

20. **The JCR concurs that salaries of Fund staff should reflect developments in competitive labor markets, and be positioned at a level that permits the two institutions to attract and retain a highly-skilled and diverse staff.** The JCR notes that application of the rules-based staff compensation frameworks in the Fund and the Bank have resulted in average salary adjustments of 3.6% and 3.8% for Fund and Bank staff respectively this year, reflecting strong growth in competitor labor markets prior to the COVID-19 crisis. The rules-based systems for adjusting the structural payline for the staffs in both institutions have recently been reviewed and the methodologies have been rebalanced to place increased weight on public sector wage developments. It is therefore expected that the impacts of the crisis will be reflected in these benchmarks in due course, and growth in pay in these competitors—and by extension in the growth in Fund and Bank staff structural paylines —will likely adjust in the period ahead.

V. RECOMMENDATION FOR SALARY INCREASES IN 2020

21. **The JCR considers that the May-to-May change in the Washington DC consumer price index Washington DC annual CPI change remains an appropriate benchmark, as discussed above.**

22. **The May 2019-to-May 2020 CPI change in the Washington DC-Arlington- Alexandria region is slightly negative, -0.1 percent.** Under their contracts, the salaries of the Fund's Managing Director and the World Bank's President will be adjusted to reflect any increase in the May-to-May regional consumer price index. In a situation of negative movement in May-to-May CPI inflation (as occurred in 2009) the salaries of the Managing Director and the President shall remain unchanged as of July 1, 2020.

23. **The 2020 JCR shall present a formal recommendation to the Boards of Governors of the Fund and the Bank that no increase be made in the salaries of Fund and Bank Executive Directors and their Alternates.** Accordingly, the salaries of Fund Executive Directors and Alternate Executive Directors shall remain \$265,030 and \$229,270 (net of taxes)

respectively. The salaries of Bank Executive Directors and their Alternates shall remain $258,570 and $223,680 (net of taxes) respectively. Noting the finding of the external consultant that the role of Alternate Executive Directors vis-à-vis that of Executive Directors appears to vary considerably between constituency groups, the JCR considers that the current ratio of Alternate Executive Directors salaries to Executive Directors (86.5 percent) remains appropriate at this time.

24. **The Committee notes that this recommendation means that the salaries of Bank Executive Directors and Alternate Executive Directors will remain unchanged from the level approved by the Bank's Board of Governors in 2017**, i.e. a third year of salary freezes for these positions. The salaries of Fund Executive Directors and Alternate Executive Directors remain at the level approved by the Fund's Board of Governors in 2018 (i.e. a second year of salary freezes). It is clearly not desirable that Executive Directors' and Alternate Executive Directors' salaries remain frozen indefinitely. Nonetheless, the JCR takes careful note of the very strong endorsement by the memberships of the Fund and the Bank last year—in considerably more positive economic circumstances—for the recommendation of the 2019 JCR for a temporary freeze in Executive Director salaries.

25. **Going forward, it is to be hoped that a more favorable space will open up for positive salary adjustments for these important positions. Even so, the space for recommending CPI-benchmarked salary adjustments in years ahead must continue to be carefully evaluated.** At a time of exceptional economic stress for many, if not most countries, the JCR must carefully assess members' tolerance for salary adjustments for the two Executive Boards. CPI is a reasonable yardstick, but in each year the JCR must assess the best path forward.

VI. CHANGES IN BENEFITS

26. **The Boards of Governors have authorized the Executive Directors of the Fund and the Bank to make decisions on certain changes in benefits, but have reserved to themselves decisions on certain other changes**:

> "*. . . changes in the level of benefits to reflect actual costs, or other minor modifications to existing benefits that do not change the basic nature of such benefits may be made available to Executive Directors and their Alternates by the Executive Directors of the [Fund] [Bank] provided that significant changes in existing benefits as well as new benefits be considered by the Joint Committee on the Remuneration of Executive Directors and their Alternates . . . and not be made available to Executive Directors and their Alternates until approved by the Board of Governors*".[1]

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[1] Benefits of Executive Directors and their Alternates, IMF Board of Governors' Resolution No. 34-7, adopted on July 20, 1979. The Bank's Board of Governors has adopted a parallel resolution, Resolution 337.

27. **The JCR notes the Fund has recently completed a Comprehensive Compensation and Benefits Review exercise, with the objective of ensuring that the institution is well-placed to attract and retain talent needed to meet the evolving needs of the membership going forward.** As a result of this thorough and wide-ranging review, the Executive Board has approved several changes in benefits of Fund staff. Some of these changes introduce new benefits (a childcare allowance, and the option of joining a defined contribution voluntary retirement plan) while others significantly alter the underlying nature and/or value of existing benefits (changes to parental leave benefits, appointment and resettlement grants, education allowances). A suite of other changes clarify and/or simplify the administration of certain benefits, without altering the basic nature of the benefit or significantly altering the value of the benefit.

28. The JCR notes that, while in principle the benefits of members of Executive Boards need not be aligned with those of the operational staff, given the difference in their functions, **predecessor Committees have generally recommended that the benefits of the IMF's and World Bank's Executive Directors and Alternate Executive Directors be aligned with those of the staff of the respective institutions for reasons of administrative efficiency and cost-effectiveness.** The 2020 JCR concurs that benefits within each of the institutions should be aligned as much as possible for these reasons, and accordingly recommends that:

- The Bank's Board of Governors adopt a new Resolution aligning the parental leave benefits of Bank Executive Directors and Alternates with those Bank staff.
- The Fund's Board of Governors adopt new Resolutions extending the changes in appointment grant, resettlement allowance, childcare allowance, education allowance, parental leave, and defined contribution retirement plan to Fund Executive Directors and Alternate Executive Directors.

Changes in Bank Parental Leave Benefits

29. **The 2020 JCR has reviewed the employment benefits of World Bank Executive Directors and Alternate Executive Directors relating to parental leave.** In 2018, the parental leave benefits of Bank staff were amended to increase the period of paid leave a staff member may take in conjunction with the birth or adoption of a child.

30. **Parental leave is the only defined leave benefit for Bank Executive Directors and their Alternates (and also for their Fund counterparts).** Historically, both Bank and Fund Executive Directors and Alternate Executive Directors have been permitted to take reasonable leave as needed. In 1999 the Bank's Board of Governors approved a specific maternity leave benefit for female Bank Executive Directors and Alternate Executive Directors allowing for twelve weeks of paid leave in conjunction with the birth of a child. (The same maternity leave

benefit was approved in parallel for Fund Executive Directors and Alternate Executive Directors by the IMF's Board of Governors).

31. **Parental leave benefits for Bank Executive Directors and Alternate Executive Directors were most recently amended in July 2016**, when Bank Governors approved the 2016 JCR's recommendation to provide seventy (70) working days of leave to birthmothers and primary caregivers of adopted or surrogate children and ten (10) working days to fathers and secondary caregivers of adopted or surrogate children, plus (20) days of additional leave in cases of multiple births or adoptions and/or medical complications. This change permitted alignment of the parental leave benefits of Bank Executive Directors and Alternates with those of Bank staff.

32. **On December 1, 2018, the World Bank Group implemented changes in the parental leave benefits of Bank staff as follows**:

- **Bank staff are eligible to use up to one hundred (100) working days of parental leave for each birth/adoption**, including by surrogacy, when serving as the primary caregiver, i.e., the sole caregiver of the child during the majority of business hours throughout the period of parental leave requested.
- **A Bank staff member who is not the primary caregiver of the child is eligible to use up to fifty (50) working days of parental leave for each birth/adoption**, including by surrogacy.

33. **To maintain the internal alignment of parental leave benefits between Bank Executive Directors and Alternate Executive Directors and those of Bank staff, it is proposed that the JCR recommend the same changes to the Bank's Board of Governors for approval.** A new Board of Governors' resolution is required to supersede the current provisions of Board of Governors' Resolution 651, adopted in 2016. The change in the benefit is significant, but the increase in the number of working days of paid leave is in line with proposed changes in the parental leave benefits of IMF Executive Directors and Alternate Executive Directors, as discussed further below. Attachment 2 presents a draft resolution, proposing the alignment of parental leave benefits between Bank Executive Directors and Alternates, and Bank staff.

Proposed Alignment of Benefits of IMF Executive Directors with IMF Staff

34. **On December 17, 2019, the IMF's Executive Board concluded a Comprehensive Compensation and Benefits Review (CCBR)**, approving a package of changes to the benefits policies applicable to Fund staff and a phased timeline for implementing these changes between

May 2020 and May 2021. In line with the framework described above, the CCBR changes do not automatically apply to Executive Directors and Alternate Executive Directors.[2]

35. **Past practice has been to maintain a close alignment between the employment benefits of Fund Executive Directors and Alternates with those of the Fund staff, including after the major 2006 Employment, Compensation, and Benefits review.** It is proposed that the employment benefits of Executive Directors and Alternate Executive Directors be similarly adjusted to align fully with the CCBR changes in benefits for Fund staff. In the case of home leave benefits, the proposed alignment would be to the greatest extent possible without altering current eligibility criteria set out in the Fund's By-Laws, Rules and Regulations.

36. **The objective of the CCBR exercise has been to ensure the Fund remains a competitive and attractive employment destination for a highly-qualified, international, and diverse staff.** The review of Fund benefits has sought to ensure an appropriate balance; the value of several benefits has been adjusted, in many cases downwards (including the value of appointment and relocation benefits, home leave, and the phase-out of tertiary education allowances). Those cost savings will create headroom for increased parental leave benefits and new childcare allowances, which will better support a younger workforce as the Fund experiences significant turnover due to staff retirements. The impacts of these changes vary for individuals depending on personal circumstances, number of dependents, and age of any children. If these changes are extended, as recommended, to Fund Executive Directors and their Alternates, it is anticipated the value of their benefits package would generally be reduced. ~~**In addition to the benefits changes adopted in the CCBR, some additional streamlining is proposed** to further align the installation allowance for Executive Directors and Alternates with the equivalent benefit for Fund staff. The CCBR streamlined the administration of this benefit for Fund staff with no change in value. The formula for calculating this benefit for Executive Directors has not been adjusted since 1981, however, and its value has fallen below that of the same benefit for staff. There appears to be no ex-ante rationale for this difference in treatment as the purpose of the benefit is identical. The current juncture provides an opportunity to correct this longstanding discrepancy as other employment benefits for Executive Directors are brought into alignment with those approved for Fund staff in the CCBR exercise.~~

37. **Certain CCBR policy changes entail either new benefits or significant changes in existing benefits, as set forth below.** In line with Resolution 34-7, the 2020 JCR recommends these changes to the IMF's Board of Governors for approval through adoption of new Resolutions. These changes are described in more detail below.

[2] Under a longstanding decision of the Fund's Executive Board, Senior Advisors to Executive Director receive employment benefits on the same basis as those of Executive Directors, and therefore the CCBR changes also do not apply automatically to these personnel.

Retirement Program: Defined Contribution Plan Option

38. **Effective May 1, 2021, newly-hired Fund staff may elect to join either the Fund's defined benefit Staff Retirement Plan (SRP) or its defined contribution Voluntary Savings Plan (VSP).** Staff members who elect to join the VSP rather than the SRP must contribute at least 7 percent of their gross remuneration, and the Fund shall contribute up to 14 percent. This is a significant change as, at present, the Fund does not make employer contributions on behalf of staff members who opt to enroll in the VSP in addition to the SRP; it makes a 5 per cent contribution for eligible contractual employees who are participants in the VSP. The ratio of employee/Fund contributions is modelled on that which applies for enrolment in the Staff Retirement Plan. Eligible staff members in the SRP may still participate in the VSP, but without any additional contribution by the Fund. In order for the VSP to remain a qualified U.S. plan, contributions will be capped at levels determined annually by the Internal Revenue Service. In 2019, these were: (i) gross remuneration for the purpose of defining the contribution cannot exceed $280,000; (ii) employee contributions are limited to $19,000 (in 2019), plus catch up contributions of up to $6,000 if the employee is age 50 or older; (iii) contribution by the Fund to the VSP, and by the employee to the VSP and the SRP, cannot exceed $56,000, not including any catch-up contributions.

39. **It is recommended that this option be made available to Executive Directors and their Alternates on the same basis as staff, for internal equity of treatment.** It is anticipated that few (if any) Executive Directors and Alternate Executive Directors would prefer to join the VSP rather than the SRP, as the latter offers a much more significant benefit, although contributions are also correspondingly much higher.

New Family-Related Benefits—Childcare Allowance

40. **To assist staff with young families, the CCBR changes include provision of a new childcare allowance of $12,000 per child for all staff members with children under the age of five years, irrespective of visa status of the employee.** After children turn age five, expatriate staff members are eligible for education allowances to support the tuition costs of education of their children in elementary and high school levels. Introduction of this new benefit reflects the impacts of a significant period of demographic change within the Fund, as many current staff will retire in in the next few years, and younger staff will be hired in their place. The CCBR exercise has included a focus on rebalancing the benefits package to support the Fund's ongoing attractiveness as an employer in a competitive labor market.

41. **Important transitional arrangements have been established for current expatriate staff who have children (or who may have children in the future)**, whereby they may elect either to receive the new childcare allowance or continue to be eligible for education allowances for tertiary (university level) education for their children. These are discussed in paragraph 48 below.

Parental Leave

42. **Similarly, in recent years the Fund has sought to recognize and support the need of its staff (both men and women) to take paid leave to care for their newborn or newly-adopted children.** Parental leave benefits for Fund staff were recently reformed in 2016, to make parental leave gender neutral for both men and women (40 working days of paid leave for any staff member who becomes a parent through birth or adoption), with an additional 20 working days of paid leave if the staff member is the birth mother, to assist medical recovery. The Board of Governors has previously extended the 2016 changes to Executive Directors and Alternate Executive Directors.

43. **The CCBR changes extend the leave period to 100 working days of paid leave for all staff who become parents** (regardless of gender, family circumstance, or whether the staff member is the primary or secondary caregiver). Parental leave may be taken consecutively or flexibly, but Fund staff who are birth mothers must take the first thirty days of this leave on an uninterrupted basis. Following the precedent for aligning parental leave benefits of Fund Executive Directors and Alternate Executive Directors with those of Fund staff in 2016, the 2020 JCR recommends application of the new, increased amount of parental leave benefit to the Board of Governors for approval. These changes are also similar to the proposed changes in parental leave benefits for Bank Executive Directors and Alternates, referenced earlier in this report.

44. **For Fund staff, these changes came into effect on May 1, 2020.** It would not have been possible for the Board of Governors to complete the approval process in time for alignment of the effective date. However, as Executive Directors and Alternate Executive Directors already are entitled to take at least 40 days of parental leave, and may take additional reasonable casual leave if needed (with no defined purpose or limit), the JCR recommends that the new, increased parental leave benefit to Executive Directors and Alternate Executive Directors be made retroactive to May 1, 2020.

Education Allowances

45. **The Fund provides allowances to its expatriate staff to assist with the costs of educating their children aged between five years and up to age 24.** To receive these benefits, the child must be enrolled in an accredited educational institution which charges tuition fees. Thus, IMF staff who enroll their children in public schools (for which no tuition fees are charged) are ineligible for this benefit.

46. **The Fund reimburses tuition fees up to 75 percent of the annual tuition charge, subject to an annual ceiling**, for children enrolled in primary through tertiary education; in addition, for children enrolled in programs outside the United States (boarding school or university programs) and who are not living with a parent, the Fund provides a room-and-board,

or subsistence allowance, and a travel allowance. In 2019, the ceiling for US schools (day pupils) is $29,190.

47. **Effective October 1, 2020, tertiary education allowances (tuition, subsistence and travel) will be discontinued for new expatriate staff hired after that date.** Such staff will be eligible to request education allowances for children enrolled in primary through secondary school (ending in 12th grade, the final year of high school). In addition, some administrative simplification of these benefits will be put in place for current and new staff, to adjust and streamline the ceilings for tuition, ancillary expenses, and for room and board.

48. **"Grandfathering" arrangements will apply to current expatriate staff who have a child aged five years or older as of October 1, 2020, or who have a child in future.** Under these transitional provisions they may choose *either* to receive the new childcare allowance or to receive tertiary education allowances. The election may be different between children in the same family, but once made, is irreversible for that child.

49. **The discontinuation of the tertiary education allowances is a significant change in the value of this benefit for Executive Directors and Alternates who join the Executive Board as of October 1, 2020.** The JCR considers it would be appropriate to seek the approval of the Board of Governors to this reduction in value, and in so doing, clarify that Executive Directors and their Alternates receive these benefits on the same basis as staff.

Appointment and Relocation Benefits—"Settling In" and "Installation" Allowances

50. **The Fund provides appointment benefits to incoming staff to assist with the costs of re-establishing their households in Washington DC.** These comprise two elements, a settling-in grant (equivalent to four weeks of salary for an incoming staff member who is single, and eight weeks of salary for one who has dependents), and a smaller installation allowance. The CCBR has replaced the installation allowance and settling-in grant with a single Appointment Grant, effective October 1, 2020. ~~alters the basis for calculating the value of the settling-in grant, effective October 1, 2020.~~ The installation allowance will be discontinued, and the basis of valuing the appointment grant will be made uniform. ~~Currently, the value of the settling-in grant benefit varies by individual, depending on his/her specific salary.~~ Going forward, the new Appointment Grant will be calculated based on a standard rate, i.e. standardized for all employees, and pegged to the value of the midpoint of the salary range for grade A12 positions (the typical hiring grade for new economist positions), rather than the individual's specific salary. Accordingly, the Appointment Grant for staff is four weeks salary at the grade A12 midpoint for a single staff and eight weeks of the midpoint for families. For more senior incoming personnel, the reduction in the value of the benefit is significant; for an incoming Executive Director with a family, the difference would be about $20,000. However, the logic of the change for Fund staff is that the costs of relocating to Washington DC are similar for all personnel, irrespective of salary.

51. **The reduction in implied value is sufficiently large to warrant obtaining a new approval by the Board of Governors**, notwithstanding that Governors previously adopted a Resolution permitting Executive Directors to receive settling-in grants on the same basis as Fund staff. ~~Doing so would also present a suitable opportunity for addressing a longstanding discrepancy with regard to Executive Directors' installation allowances, discussed below.~~

52. **The present juncture provides a suitable opportunity to align the installation allowances of Executive Directors and Alternate Executive Directors with the changes approved under the CCBR for ~~of~~ staff.**-An "Installation Allowance" was initially introduced by Fund Management in 1960 for Executive Directors, on same basis as staff. The methodology for calculating this benefit for incoming Executive Directors and their families continues to be essentially the same as established in 1960: 30 days at a per diem rate for the Washington DC area, plus a pro-rated amount for each eligible dependent. The value of the equivalent benefit for Fund staff is a uniform amount. Under the CCBR changes, the installation allowance for Fund staff will be discontinued effective October 1, 2020.

53. **There appears to be no ex-ante rationale for the difference in calculating installation allowance benefits for staff and Executive Directors.** Accordingly, the JCR recommends that, effective October 1, 2020, Fund Executive Directors and Alternate Executive Directors should be eligible to receive the new Appointment Grant on the same basis as Fund staff, in place of the installation allowance and settling in grant benefits previously made available to them. ~~The purpose of this allowance, which is to assist with meeting the initial costs of relocating to the duty station, is equally applicable to incoming Executive Directors and staff. It makes sense to provide this benefit to all incoming regular personnel on the same basis. Doing so would, however, constitute an increase in the value of this benefit. Under the framework for approval of benefits for Executive Directors, and in line with past practice, the 2020 JCR recommends this alignment to the Board of Governors for approval, and in so doing, to also revise the standing Resolution providing for "settling-in grant" for Executive Directors to refer to "appointment grants" more generally, in line with the terminology adopted in the CCBR.~~

54. **On May 29, 2020, the Executive Board approved a revision of the relocation resettlement allowance payable to Fund staff on separation from the institution.** To ensure internal consistency and simplify administration of this benefit, the value of the ~~relocation~~ resettlement allowance has been uniformly adjusted to one-half of the new appointment grant payable to staff, adjusted ~~for~~ to take into account family ~~size~~ composition. The JCR recommends that this change also be applied to Executive Directors and Alternate Executive Directors of the Fund, for internal equity of treatment.

Technical or Minor Modifications of Existing Policies

55. **The CCBR exercise also encompassed a number of technical changes to, or minor modifications of, existing benefits.** These changes are generally covered by "umbrella" decisions that have previously aligned these benefits policies for Executive Directors and Alternate Executive Directors with those of Fund staff. Nonetheless, these changes in existing benefits were brought to the attention of the JCR as matter of transparency and good governance. In line with past precedent and practice, the 2020 JCR has determined these changes, set forth in Table 1 below) may be effected by the IMF Executive Board.

56. **In addition to these technical changes, the JCR notes that the CCBR exercise also included certain measures for streamlining the administration and coordination of benefits between the Fund and the Bank**. These changes apply to employees transferring between the institutions, or who are employed in one institution and married to an employee of the other. The Fund's policies regarding loss of eligibility for expatriate benefits for those IMF employees who choose to relinquish legal permanent residence in the United States have also been clarified. The JCR notes these administrative measures and considers it appropriate for the Executive Boards of the Fund and the Bank to determine whether and how these measures should apply to Executive Directors and Alternate Executive Directors of the Fund and Bank.

Table 1. Technical/Minor Modifications of Existing Policies
(For referral to the Executive Board for application to Fund Executive Directors and their Alternates)

Approved CCBR Change for Fund staff	**Substance of the Change**	**Type of Change**	**Relevant Existing Decisions**	**Effective Date for Fund Staff**
Retirement Program: **Lump Sum Withdrawal:** + **Survivor Benefits:**	(i) Remove age and service limits (ii) Permit 100% commutation ▪ Calculation of Survivor Benefits shall be adjusted to take into account any commutation under the SRP	**Modification of existing benefits**, which do not alter the basic nature and/or value of the benefits.	**Board of Governor's Resolution 31-1** provides that EDs participate in SRP on same basis as staff. Nonetheless, there has been a consistent practice of informing the JCR of all substantive changes to the Staff Retirement Plan (reflecting the significant value of this benefit in the total compensation of Executive Directors). Previous JCRs have historically considered changes in commutation factors and extent as a technical change, and referred them back to the Executive Board for application to Executive Directors and their Alternates.	May 1, 2021
Expatriate Benefits: **Home Leave (Change in timing of home leave payments)** **Transitional Provisions**	Eligible staff will receive an annual lump sum cash allowance equivalent to one-half of the benefit applicable to the 24-month eligibility period. Transitional provisions allow staff who have accrued eligibility towards home leave under current rules to continue to accrue and take one final home leave under current policies before transitioning to the new system.	**Changes to achieve administrative simplification only.** Full alignment of Executive Director home leave benefits would require amendment of By-Law 14(f) to reflect a change from an accrued right over the eligibility period to a cash entitlement. Full alignment with Fund staff may result in more eligible OED employees and additional costs to the institution**.**	**Section 14(f) of the By-Laws:** Limits eligibility for <u>dependents</u> of EDs/Alternate EDs on entry to the <u>third year</u> of consecutive service and every second year thereafter Given the significant extension of this benefit that full alignment with staff benefits would imply, partial alignment only is proposed at this time (calculation of value of benefit, including annual CPI adjustment, removal of certification requirements and same transitional provisions for utilization of accrued home leave benefits under current rules), to be referred back to the Executive Board for application to Executive Directors and their Alternates, consistent with Section 14(f) of the By-Laws.	October 1, 2020

VII. RECOMMENDATIONS REQUIRING A VOTE BY THE BOARDS OF GOVERNORS

58. In light of the recommendations on the remuneration of Fund and Bank Executive Directors and their Alternates, the Committee recommends that the draft Resolutions set out in Attachments I and II be adopted by the Board of Governors of the Fund.

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

Ernest Addison
JCR Chairman

Cesar Purisima
JCR Member

Jan Smets
JCR Member

Attachment I

INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION

Direct Remuneration of Executive Directors and their Alternates

RESOLVED:

THAT effective July 1, 2020, the remuneration of the Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be paid in the form of a salary without a separate supplemental allowance, and such salary shall remain unchanged at $265,030 for Executive Directors, and at $229,270 for Alternates.

Attachment II

INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION

Benefits of Executive Directors and Alternate Executive Directors

WHEREAS in a Comprehensive Compensation and Benefits Review, the IMF's Executive Board has approved several changes in the employment benefits of Fund staff, effective beginning May 1, 2020 through May 1, 2021; and

WHEREAS application of certain of these changes in benefits to IMF Executive Directors and Alternate Executive Directors requires the approval of the Board of Governors through the adoption of new Resolutions; and

WHEREAS in its Report to the Board of Governors the 2020 Joint Committee on the Remuneration of IMF [and World Bank] Executive Directors notes that the extension of the recent changes in the benefits applicable to Fund staff to Fund Executive Directors and Alternate Executive Directors would be consistent with past practice, maintain internal equity of treatment, and be desirable for reasons of administrative efficiency;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

Appointment Grant:

Effective October 1, 2020, Executive Directors and Alternate Executive Directors, on entering active duty at the Fund shall be eligible to receive an Appointment Grant, taking into account the composition of the household, on the same basis as these benefits are made available to Fund staff.

As of the effective date of this policy, the Appointment Grant shall replace the former Settling-In Grant and Installation Allowances previously made available to Executive Directors and their Alternates.

Resettlement Allowance:

Effective October 1, 2020, Executive Directors and Alternate Executive Directors, on separation from the Fund, shall be eligible to receive a Resettlement Allowance, taking into account the composition of the household, on the same basis as these benefits are made available to Fund staff.

Childcare Allowance:

Effective October 1, 2020, Executive Director and Alternate Executive Directors shall be entitled to a childcare allowance for each child under five years of age, on the same basis as Fund staff.

As a transitional provision, eligible Executive Directors and their Alternates who are employed at the IMF as of October 1, 2020, and who currently have a child under the age of five, and/or who have a child in the future, may elect to take either the childcare allowance or tertiary education allowances for each child, but not both. Election between the childcare allowance and tertiary education allowances may differ between children in the same family, but is irreversible once made.

Education Allowances:

IMF Executive Directors and Alternate Executive Directors shall continue to be eligible to receive education tuition and travel allowances for their eligible children on the same basis as Fund staff.

Eligible Executive Directors and Alternate Executive Directors who join the Fund on or after October 1, 2020, shall be eligible for education allowances to support primary and secondary school education for their children aged five years and older, but shall not be eligible for tertiary education allowances.

As a transitional provision, eligible Executive Directors and their Alternates who are employed at the IMF as of October 1, 2020, and who currently have a child under the age of five, and/or who have a child in the future, may elect to take either the childcare allowance or tertiary education allowances for each child, but not both. Election between the childcare allowance and tertiary education allowances may differ between children in the same family, but is irreversible once made.

Parental Leave:

IMF Executive Directors and Alternate Executive Directors, in order to enable them to assume responsibility for the care and wellbeing of their new-born or newly-adopted children, shall be entitled to parental leave benefits of up to 100 work days. If the Executive Director or Alternate is the birth mother, the first 30 days of leave shall be taken on an uninterrupted basis, to facilitate recuperation. The administration of this benefit will be guided by the prevailing rules applicable to Fund staff to the extent that those rules are consistent with the terms of service for Executive Directors and their Alternates.

Consistent with the intention to align parental leave benefits of Fund Executive Directors and Alternates with the parental leave benefits for Fund staff, any Executive Director or Alternate Executive Director who became a parent of a new-born or newly-adopted child on or after May 1, 2020 shall be entitled to extend his/her paid parental leave from 60 work days to up to 100 work days.

Retirement Benefits Defined Contribution Plan Option:

Effective May 1, 2021, Executive Directors and Alternate Executive Directors who enter Fund service on or after that date, may elect to join either the Fund's Staff Retirement Plan, or may elect to join the Fund's Voluntary Savings Plan. Executive Directors and their Alternates shall participate in the Fund's retirement benefit plans on the same basis as Fund staff.

Appendix 1

KEY FINDINGS OF AN INDEPENDENT ASSESSMENT OF THE ROLES, RESPONSIBILITIES, AND FUNCTIONS OF IMF AND WORLD BANK EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

1. The following findings are taken from a report prepared by Korn Ferry Group, an external consulting group commissioned by the 2020 JCR, following the recommendation of the predecessor 2019 JCR to conduct an independent assessment of the following issues:

- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors relative to each other, and relative to the heads and deputy heads of the two institutions.
- The roles and responsibilities of Fund and Bank Executive Directors and Alternate Executive Directors vis-à-vis senior positions in central banks, ministries of finance and economy, and relevant international organizations.
- A technical assessment of industry trends in remuneration of macrofinancial and development experts, and approximate differentials between benchmark positions in the public and private sectors.

2. Using a structured interview protocol, the consultant has interviewed, in the IMF, seven Executive Directors and seven Alternate Executive Directors, and in the Bank nine Executive Directors and six Alternate Executive Directors, plus former Executive Directors employed in the institutions. A total of 30 interviews were conducted. Interviewees included representatives of a mix of advanced and emerging economies including single country and multi-country constituencies, and individuals who had gained experience in both institutions over the course of their careers.

3. In addition to these in-person interviews, the consultant conducted a survey (made available to all Executive Directors and Alternate Executive Directors in the Fund and the Bank), requesting them to rank the importance of 15 critical leadership competencies, critical aspects of their role, and the culture they need to work in to be effective. Responses were received from 32 Bank Executive Directors and Alternates and 29 Fund Executive Directors and Alternates.

4. The consultant also considered these positions using its own proprietary tool for job evaluation to consider the uniqueness of the Fund and Bank Executive Director and Alternate Executive Director jobs, and allow comparisons based on jobs of similar size and complexity.

5. The consultant has used these inputs to develop composite representations, and success profiles, of these positions. A composite profile of the interviewees indicates strong similarities

in the age, academic training and professional background across the two institutions. In both institutions, the interviewees had significant experience in the public sector (about twenty years, obtained mostly in central banks, ministries of finance, and foreign ministries), while some had prior experience in the private sector, academia, and other institutions. The JCR notes that a review of the sample group against the current profiles of all Executive Directors serving on the Fund and Bank Executive Boards indicates these characteristics are generally representative of the two Executive Boards.

6. To assess the positioning of Fund and Bank Executive Directors relative to external comparators, the consultant developed a remuneration concept matrix, which assessed how Executive Directors and Alternates might be considered and compared as employees working inside the home country, expatriates working for their home country while located outside that country; and as home country employees on short-term, temporary assignments not working in the home country. Using this matrix, the consultant concluded that if the home countries of the Directors and Alternates determine their remuneration independently of each other, the likely result will be multiple pay levels for equivalent roles", a result which would run counter to the philosophy of equal pay for equal work. The consultant has therefore considered, as an alternative, pay practices in a range of external comparators: government and quasi-government organizations, especially G20 civil service (ministries of finance and central banks); pay practices in G20 public sector organizations more generally; state-owned enterprises in G20 countries; government expatriates (embassies); international organizations, including ADB, AfDB, EBRD, and IADB; European Union Commissioners; the structure and level of remuneration for Directors serving on private sector and public sector boards, and on boards of non-profits; and remuneration in academia.

7. The findings of the consultant are presented below. These findings are presented either verbatim, or lightly edited to maintain grammatical sense when grouping excerpts.

Role and Critical Skills of Effective Executive Directors and Alternate Executive Directors

8. **Interviewees across both institutions generally agree that their respective organizations are working effectively, ensuring appropriate oversight, accountability and compliance, and maximizing the effectiveness of current resources.** Many Executive Directors commented that both organizations are changing and becoming more complex, which requires more strategic governance and management. The mandate of the Bank to end extreme poverty and promote shared prosperity is implemented across several separate institutions, creating a highly complex decision-making environment with a very broad focus including lending, financing investment, advisory services, risk insurance, and dispute resolution. [1] On the

[1] The Bank's Executive Board has oversight authority over four institutions of the World Bank: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). (continued)

Fund side, interviewees noted that the mandate of the Fund to safeguard global economic stability and the international financial system has expanded to include, inter alia, financial sector soundness, climate change, fintech, and anti-corruption issues.

9. **In both institutions, the strategic planning process is healthy as it directly involves the Executive Boards.** Performance against strategy is monitored continually and reviewed annually for the organization; and most interviewees felt they are held accountable for the proper execution of the strategy.

10. **Both the Fund and Bank interviewees concur that the mission and mandate of the Fund and the Bank, Executive Directors and their Alternates are accountable to a large number of internal and external stakeholders.** Decision-making is complex, but there is strong collaboration within the Boards, which allows consensus to form even if there is disagreement on certain issues. Consistent with this collaborative culture, more time is spent on communicating, consulting, influencing, negotiating, and networking than on any other category of work. Executive Directors and Alternates in both institutions ranked the cultural values of the institution in the following order, ranked from most important to least important: Collaborative (a sense of shared mission, continuous development and improvement, collaboration, empowerment); Structured (efficiency, structure, control, consistency, rules, tradition, norms, performance, accountability); Innovative (entrepreneurship, market foresight and disruption, cutting-edge innovation, strategic partnership); and Competitive (competition, customer and external focus, drive for results, market share). Moderate differences only emerged between the assessment of critical skills. Respondents in both institutions ranked strategic vision, global perspective, persuasiveness, and balancing stakeholders as mission critical skills. Managing ambiguity, navigating networks, managing conflict, and aligning execution were consistently identified as critical skills by respondents in both institutions as well.

Comparability of Roles and Responsibilities

11. **The roles of Executive Directors and Alternate Executive Directors in the Fund and the Bank are more similar than not**, with the same overall roles and responsibilities, as well as behaviors necessary for success.Differences in roles between the Fund and the Bank are minor, primarily dealing with the different missions of the two organizations. Formally the positions of Executive Director at the Fund and the Bank appear to have some strong similarities. Many Executive Directors commented that the Fund and Bank seem to be coming together more on issues that may impact the future.

12. **The consultant has been unable to identify either consistent differences, or in many cases, meaningful differences between the positions of Executive Director and Alternate Executive Director**, and is uncertain whether these can be firmly measured and persuasively

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The Bank group of institutions also includes the independent International Centre for Settlement of Investment Disputes (ICSID).

translated to compensable differences in salary. The selection of an individual for an Executive Director position versus an Alternate position is not necessarily due to greater expertise, experience, stature (although that may be the case) but due to selection and rotation practice of a constituency. In some cases, the role of Executive Director and Alternate appear to be fully interchangeable; however, in others the Alternate may function along a spectrum of roles, including in a purely technical or support capacity. Since the job of Alternate is treated in different ways across both the Fund and the Bank, a composite representation of the position in practice is not possible.

Positioning of Executive Directors' Remuneration Against External Comparators

13. **The consultant has assessed the remuneration of Executive Directors against a range of external benchmarks,** including base salary data for civil services (ministries of finance/economy and central banks) in G20 member countries; G20 state-owned enterprises, government expatriates (embassies); other international organizations, academia, and the private sector. The purpose of this part of the study was, in the consultant's words, to assess the "reasonableness" of Executive Directors' base remuneration against these comparators.

14. **An extensive review of multiple external benchmarks indicates that the current overall remuneration plan design is efficient and practical** while retaining sufficient safeguards to ensure pay levels do not lose touch with the market place of its comparator international organizations. The JCR's longstanding practice has been to establish a single salary for all IMF/WB Executive Directors and Alternate Executive Directors, and to apply uniform adjustments to all individuals. This process is reasonable and very common amongst the sectors reviewed by the consultant.

15. **The key findings on positioning of Executive Directors' and Alternate Executive Directors' remuneration relative to external comparators are as follows:**

- **There is no compelling reason or evidence to set pay differently across the two organizations, based on the consultant's assessment of the roles and responsibilities of Fund and Bank Executive Directors and their Alternates and the success profiles for these positions.** Nonetheless, the consultant recognizes that the JCR would need to consider whether maintaining direct equity across IMF/WBG is a priority or concern for the two organizations.
- **Public sector pay systems tend to reward experience, reflecting a philosophy that emphasizes dedication to the mission**, accompanied by the view that "people do not work in the public sector for money". Compensation in the public sector tends to comprise only three "ingredients" base salary, pension, and holidays, with little use of variable compensation.
- **The consultant has provided data that indicates that, on average, the current *net* salaries of IMF and World Bank Executive Directors are positioned towards the upper**

end of the range for *gross* salaries of external comparators in the sampled G20 civil service organizations (well above the 75th percentile) and central banks (close to the 75th percentile). The consultant notes that there is considerable variability in pay across the sampled countries and this analysis reflects base salaries only (converted into US dollars), excluding other aspects of pay. Nonetheless, these indicators suggest that Executive Directors' remuneration remains competitively positioned relative to these comparators, which are the main reservoir of the talent pool for the two Executive Boards.

- **An assessment against the remuneration of Directors on a sample of G20 State-Owned Enterprises indicates the current net salaries of IMF and World Bank Executive Directors are positioned within the upper third of the gross salary range for these positions**, comfortably between the 50th and 75th percentiles. The salary range for such senior SOE positions is wider than that of the civil sector/central banks; the low and high ends of the range are considerably further apart. The consultant suggests that Directors serving on the Boards of G20 state-owned enterprises could be considered as an external comparator, given their role in ensuring company stewardship, determining corporate strategies and assessing managerial performance, as well as similarities in dual accountability to serve the interests of the enterprise and interests of the state as shareholder. However, it is noted that these Boards often comprise a mix of directors, some of whom represent the state and others who are independent.

- **Significant differences in the structure of compensation of members of the Senior Foreign Service of the United States ("career ministers" or "minister-counselors") suggests these positions are not a solid benchmark for Executive Directors' remuneration.** These positions were considered on the basis of the scope of their functions, leadership role, and seniority. The consultant notes, however, that these positions are typically paid a significantly lower base salary (the maximum gross salary for a career minister is approximately 68 percent of the current net salary of an IMF Executive Director or 70 percent of the net salary of a World Bank Executive Director). However, much of the compensation for these positions is managed through a wide range of expatriate benefits, some which are taxable while others are treated as reimbursements. These average supplemental allowances can total more than 120 percent of average base salaries, but are difficult to monetize due to differences in locations, family size and position levels.

- **It is difficult to establish a robust benchmark to similar Executive Board positions in other international organizations (including the AIIB, ADB, EBRD, IADB, UN and WTO).** These organizations either do not maintain resident Executive Boards, or the organization does not have a role comparable to Executive Director, or because the compensation model for their Executive Boards is partly or fully benchmarked to that of the IMF and World Bank. Similarly, there are difficulties in establishing meaningful benchmarks to private sector and non-profit organizations, as these organizations typically have no equivalent position of resident Executive Director. Data from the academic sector is too inconsistent to be able to draw firm conclusions.

- **The consultant notes that the Fund and Bank's net-of-tax compensation (in common with other international organizations) is a very efficient way to deliver pay**, as it avoids the need for manage complex "allowance" programs and administer tax equalization schemes. Importantly, this is achieved with minimal administrative burden both in terms of pay delivery and annual or periodic updating of Executive Director and Alternate Executive Director pay levels.

Benchmark for Annual Salary Adjustments

16. **To achieve equity between the Fund and the Bank, the consultant recommends that salaries of Fund and Bank Executive Directors (and also of Fund and Bank Alternate Executive Directors) should be equalized** (i.e. the current 2.5 percent gap that first arose in 2018 should be closed). The consultant also suggests that, as a mechanism to reduce the need to assess whether pay is appropriate given roles and responsibilities, consideration could be given to establishing a formal "pay range" benchmarked to pay in external comparators (to be defined). Consideration could also be given to establishing a benchmark for annual adjustments based on an assessment of average "pay inflation" in the salaries of selected external comparators in G20 member countries (to be determined by the JCR). The consultant considers this approach is more current in comparator compensation models than a benchmark to price inflation (i.e., the current benchmark of CPI).

17. **Nonetheless, the current methodology for benchmarking annual salary increases using an inflation measure has some strong advantages.** The factor is readily available and would enable interim updates to occur in line with Washington DC inflation in between years in which the JCR commissions external surveys.

Internal Salary Relativities

18. **When comparing roles and responsibilities, the consultant finds that there are clear differences between the top-level positions (heads) of the two institutions, Executive Directors, and senior staff.** There are differences between the Executive Director roles and senior staff from a job evaluation methodology, and accountability differs as internal operational (senior staff) roles have high impact and are held accountable for results, whereas Executive Directors and their Alternates are responsible for ensuring proper integration and guidance around results. Senior staff at IMF/WBG may also require unique skill sets in certain functions and expertise that are needed for both internal and external operations. Staff salaries and increases are managed under a rules-based approach that is approved by the Board based on comprehensive studies against the market. The consultant notes that senior staff salaries appear to be set on the necessity to attract and retain desirable employees in a competitive marketplace.

Total Compensation

19. **The consultant notes that direct salaries of Executive Directors and their Alternates form only part of the compensation of these positions**. In addition to their base salaries, Executive Directors and their Alternates in both institutions receive extensive employment benefits, which are largely aligned with those of the staffs. Benefits are generally in line with other IFIs and with those offered to expatriate staff in other peer institutions. In addition, Executive Directors who hold diplomatic status are also exempt from certain customs and personal expenditures, in keeping with similar relief available in other international organizations.