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## Report of the Emoluments Committee

### Note to Executive Board representatives

The Executive Board is invited to transmit this document to the Governing Council at its 36<sup>th</sup> session in February 2013, and to recommend the Council's adoption of the draft resolution contained herein.

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Executive Board — 106<sup>th</sup> Session  
Rome, 20-21 September 2012

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**For: Approval**

## Recommendation for approval

The Executive Board is invited to recommend that the Governing Council adopt the draft resolution attached in the annex at its thirty-sixth session.

## Report of the Emoluments Committee

### I. Introduction

1. Section 6(1) of the By-laws for the Conduct of the Business of IFAD provides, inter alia, that: "The salary, allowances and other entitlements of the President shall be determined by resolution of the Governing Council. In addition, he shall be entitled to participate in insurance, medical, pension, retirement and other plans as may be established for the employees of the Fund and not otherwise covered by his emoluments."
2. The Governing Council – being the only body with the authority to determine the remuneration of the IFAD President in accordance with article 6.2(c)(vi) of the Agreement Establishing the International Fund for Agricultural Development – at its first session in December 1977, adopted resolution 77/5, thus establishing the net salary, representation allowance and benefits of the President of IFAD on a par with those of the reference United Nations agency in Rome, namely the Food and Agriculture Organization of the United Nations (FAO).
3. Subsequently, the Governing Council adopted resolution 82/XVII at its seventeenth session in January 1994, resolution 121/XXIV at its twenty-fourth session in February 2001 and resolution 152/XXXII in February 2009, establishing the salary, allowances and other entitlements of the Presidents of IFAD appointed at those sessions.
4. Having considered the recommendation of the Executive Board contained in document GC 34/L.11/Rev.1, the Governing Council at its thirty-fourth session held in February 2011 adopted resolution 163/XXXIV, in which it decided:
  - (a) To re-establish an emoluments committee to review the overall emoluments and other conditions of employment of the President of IFAD. The committee shall submit to the thirty-sixth session of the Governing Council, through the Executive Board, a report thereon together with a draft resolution on the subject for adoption by the Governing Council;
  - (b) The committee shall consist of nine Governors (four from List A, two from List B and three from List C) or their representatives who shall be nominated by the Chairperson pursuant to rule 15.2 of the Rules of Procedure of the Governing Council; and
  - (c) The committee shall be provided with specialist staff to offer such support and advice as the committee may require."

### II. Composition of the Committee

5. The Emoluments Committee is composed of the following members: Denmark, Germany, Italy and the United States of America from List A; Gabon and the Bolivarian Republic of Venezuela from List B; and Angola, Bangladesh and Brazil from List C.
6. The Committee met on five occasions: on 5 May, 6 July and 8 November in 2011 and on 21 March and 21 June in 2012. At its first meeting, the Committee elected

Ms Heike Kuhn of Germany as its chairperson, who was replaced as of the third meeting by Mr Michael Bauer of Germany.

### **III. Report**

7. To assist in its review of the overall emoluments of the President, the Committee engaged an independent consultant who had extensive experience in dealing with issues of management remuneration in international organizations. The Committee identified eight representative international financial institutions and organizations from which comprehensive information on the salaries, allowances, benefits and housing arrangements of their executive heads was collected for comparative analysis by the consultant. The results of this survey and comparative analysis and the recommendations of the consultant on the emoluments of the President were carefully considered by the Committee in arriving at the following conclusions and recommendations.

#### **A. Salary**

8. The Committee concluded that it is appropriate to continue to link the salary of the President to the salary of the Director-General of the other major Rome-based United Nations agency, FAO. This linkage has provided the basis for the President's salary since 1977, and the comparative analysis indicates that it positions the salary of the President at an appropriate level among other international organizations, taking into account differences in the scope and scale of their operations. The Committee considers that the salary is set at a level that effectively supports the recruitment of a President with the qualifications and experience that IFAD requires.

#### **B. Representation Allowance**

9. The Committee considered the amount of the President's representation allowance (US\$50,000), which has also been aligned with the corresponding allowance of the FAO Director-General. Although the amount of the allowance has not been adjusted for inflation or currency movements since 1994, the Committee concluded that the current amount remains appropriate and that the linkage between the IFAD and FAO allowances should be continued.

#### **C. Benefits**

10. The Committee reviewed comparative information on the benefits and allowances (e.g. spouse and dependency allowances, retirement, medical and life insurance, and home leave and children's allowances for expatriates) of executive heads of the referenced international organizations. Under section 6(1) of the By-Laws for the Conduct of Business of IFAD, the President "... shall be entitled to participate in insurance, medical, pension, retirement and other plans as may be established for the employees of the Fund and not otherwise covered by his emoluments". The application of staff benefit programmes and allowances to the executive head is the standard practice among the referenced international organizations. Allowing for differences in the structure and level of compensation in the organizations, the Committee found that the overall benefits package of the President is broadly consistent with those of the other organizations. No issues requiring specific attention were identified. It was concluded that the current benefit arrangements should continue.

#### **D. Housing**

11. The 2008 Emoluments Committee recommended, and the Governing Council approved, the provision of an appropriate residence to the President and authorization of IFAD to "... cover all costs relating to rent and related expenses, including service charges (condominium), electricity, gas, heating, and authorized telecommunications charges." No guideline or ceiling was established on the level of permissible housing expenditures.

12. The 2011 Governing Council resolution re-establishing the Emoluments Committee called for "... guidelines to be developed regarding the housing arrangements of the President of the Fund and the overall emoluments and other conditions of employment of the President." Specifically, the Committee was called upon to "...examine the options and to develop guidelines relative to Governing Council resolution 152/XXXII regarding the housing arrangements of the President, with a view to identifying an appropriate ceiling and reviewing other matters, as considered necessary."
13. Accordingly, the Committee considered information on IFAD expenditures on the housing of the President together with information on the housing arrangements of the executive heads in the referenced international organizations. With regard to the arrangements of other organizations, some organizations provide either housing or an allowance, while others do not (mainly those in locations where it is common for employees of the organizations to purchase their residences).
14. The Committee concluded that IFAD should continue to provide appropriate housing for the President. The Fund's payments for housing constitute a significant element of the President's total remuneration and are necessary to provide an attractive and competitive overall compensation package. In considering the scope and level of IFAD's housing payments, the Committee was mindful of the need to balance two considerations. While it is in the Fund's interest to ensure that the President is able to secure a residence and to maintain a household appropriate to the position, it is equally important to ensure that the President's residence and housing costs are not excessive or inconsistent with IFAD's mission. In order to maintain an appropriate balance between these considerations, the Committee has concluded that the following arrangements should be adopted:
- (i) **A ceiling should be established on the total expenditures that would be borne by IFAD on the President's rent and other housing costs.** *The proposed ceiling is EUR 180,000 per annum. This amount corresponds to the present limit on FAO's housing expenditures for its Director-General, which is considered to be the most relevant comparator and consistent with the long-standing linkage between the salaries and allowances of the executive heads of IFAD and FAO, and the common location of IFAD and FAO in Rome. The ceiling would become effective from the starting date of the next appointment term of the President and would apply in the event that the incumbent President is re-appointed or a different individual is appointed. The ceiling would apply throughout the President's term. It would be computed and applied on a 12-month basis (and be pro-rated in the event that a President does not serve for a full year), and there would be a reconciliation and audit after the end of each year, with IFAD recovering from the President any amounts determined to be in excess of the ceiling or ineligible for payment by IFAD.*
  - (ii) **The recurrent housing costs that would be payable by IFAD and counted as expenditures subject to the ceiling** *would include rent and associated banking/service charges; utilities; telecommunications equipment and connections; and upkeep, repairs and maintenance for the house and grounds and other related expenses. This is consistent with FAO's approach, except as noted below with respect to security costs.*
  - (iii) **One-time expenditures that IFAD incurs in connection with the acquisition and setting up, equipping, and refurbishing of a President's residence would also be charged against the annual ceiling(s).** *Start-up or installation expenditures may be necessary, for example, to bring the residence up to acceptable safety standards or to install necessary telecommunications or security equipment, etc. and it is appropriate for IFAD to incur reasonable costs for these purposes. While it is*

*appropriate for IFAD to meet a reasonable amount of such costs, it is also desirable for a President to select a residence that does not entail undue start-up costs. Consistent with FAO's approach, such expenditures would be charged against and reduce correspondingly the annual ceiling on IFAD's housing expenditures; the reduction could be charged either against the ceiling for the first year of a President's term or, in equal installments, against the ceilings for each year of the term. In either case, such installation costs would be payable by IFAD on only one occasion and only upon the initial appointment of a President.*

## **E. Communication**

15. The Committee further concluded that the cost of official telephone calls would also be reimbursed by IFAD (and not count towards the ceiling on housing expenditures) because this constitutes a normal business expense for the organization; the cost of personal telephone calls would be paid by the President. (In the event that official and personal telephone calls are charged to a single line or are otherwise difficult to separate, costs could be divided equally between the President and IFAD in the interest of administrative simplicity; such sharing has applied in the past.)

## **F. Security**

16. According to the Committee, expenditures on security should also be paid by IFAD, provided that they are certified as necessary by the United Nations Department of Safety and Security. International organizations generally regard such costs as their responsibility and it would be undesirable to create a trade-off between essential security arrangements and other housing expenses. For this reason, such expenditures will not count towards the ceiling on IFAD's housing expenditures. (It may be noted that such costs incurred by FAO on behalf of the Director-General count towards FAO's ceiling on housing expenditures.) The Committee takes it that, when selecting the residence, due consideration will be given to the security aspects in order to ensure that appropriate security protection can be provided at reasonable cost levels.

## **G. Contractual arrangement**

17. The Committee also concluded that IFAD should continue the present arrangements whereby the organization is the leaseholder for the President's residence and is administratively responsible for service charges, utilities, and repairs and maintenance. Retaining authority for the lease gives the Fund greater control over the standard and cost of the housing, and it relieves the President of housekeeping, thus facilitating his/her concentration on official responsibilities. The Committee deems that this approach to the contractual arrangements shall be reassessed in the future on the occasion of the appointment of the President.

## **IV. Concluding remarks**

18. The Committee believes that the above measures would substantially strengthen IFAD's oversight and control of the President's housing arrangements. While they would result in a reduction in the organization's recent housing expenditures, the Committee recognizes there has been no external validation of the appropriateness of the level, except for the decision taken by the FAO Conference on 2 July 2011. An examination of housing availability and pricing in Rome was beyond the scope of this review. The Committee therefore suggests that such a study (which would also take into account the standard of suitable housing for the President as well as the impact of IFAD's housing payments on the total remuneration of the President) be included in the next review of the President's emoluments (i.e. prior to the appointment of a President in 2017), as a means of determining whether additional adjustments in the expenditure levels are warranted.

## Draft resolution

### Resolution .../XXXVI

#### The emoluments of the President of IFAD

##### The Governing Council of IFAD,

**Taking into account** section 6(1) of the By-laws for the Conduct of the Business of IFAD, which states, inter alia, that the salary, allowances and other entitlements of the President of IFAD shall be determined by resolution of the Governing Council;

**Recalling** resolution 163/XXXIV, adopted by the Governing Council on 19 February 2011, whereby a committee was established to review the overall emoluments and other conditions of employment of the President of IFAD;

**Noting and having considered** the report of the Emoluments Committee contained in document GC 36/L.\_\_\_ and the recommendations of the Executive Board thereon;

##### **Decides that:**

1. The salary of the President of IFAD shall continue to be established on a par with that of the Director-General of the Food and Agriculture Organization of the United Nations (FAO).
2. The President's representation allowance of US\$50,000 per annum shall continue to be provided.
3. The President shall continue to be entitled to participate in insurance, medical, pension, retirement and other plans as may be established for the employees of the Fund and not otherwise covered by his/her emoluments.
4. The Fund shall make housing arrangements for the President in accordance with the following conditions:
  - (a) The Fund, with due consideration to the cost implications of the security aspects, will continue to provide appropriate housing for the President. Subject to subparagraphs 4(b) through 4(d) below, the Fund's annual housing expenditures will not exceed the amount of EUR 180,000. The ceiling will apply to expenditure incurred over a calendar year and be pro-rated in the event that a President does not serve for a full calendar year. A statement of recurrent housing expenditures will be prepared annually and audited after the end of each year, with IFAD recovering from the President any amounts determined to be in excess of the ceiling or ineligible for payment by IFAD.
  - (b) The recurrent housing costs that will be payable by IFAD and counted as expenditures subject to the ceiling will include rent and associated banking/service charges; utilities; telecommunications equipment and connections; and upkeep, repairs and maintenance for the house and grounds and other related expenses.
  - (c) Recurrent expenditures on security will be paid by IFAD, provided that they are certified as necessary by the United Nations Department of Safety and Security; they will not be subject to the ceiling. The cost of official telephone calls will be reimbursed by IFAD and not counted against the ceiling. The cost of personal telephone calls will be paid by the President. In the event that the

costs of official and personal phone calls are difficult to separate, the total cost of calls will be divided equally between the President and IFAD.

- (d) The Fund will cover reasonable and necessary one-time expenditures in connection with the acquisition and setting up, equipping, and refurbishing of a President's residence. Such expenditures will be charged either against the ceiling for the first year of a President's term or, in equal instalments, against the ceilings for each year of the term. Such installation costs will be payable by IFAD only on one occasion and only upon the initial appointment of a President.
5. The salary, allowances and other entitlements specified in paragraphs 1 to 4 of this resolution shall apply to the person appointed as President of IFAD at the thirty-sixth session of the Governing Council.