

GEF Council  
November 16-18, 2010  
Washington, D.C.

Agenda Item 18

## **SRC PROPOSAL FOR A GEF CEO AND EO DIRECTOR SALARY REVIEW PROCESS**

**Recommended Council Decision**

The Council, having reviewed document GEF/C.39/12, *SRC Proposal for a GEF CEO and EO Director Salary Review Process*, approves the amended process as set forth in the document for the GEF SRC to review the GEF CEO's and EO Director's salaries and to recommend to the Council any adjustment to those salaries at the fall council meetings.

## **BACKGROUND**

1. In its decision on June 2009, the GEF Council authorized the establishment of a Selection and Review Committee (SRC) for “conducting GEF CEO/Chairperson and Director of the GEF Evaluation Office performance objectives reviews”. In the spring of 2010, the SRC undertook a review of the performance of the CEO and agreed to recommend to the GEF Council an *ad hoc* salary adjustment of 7% to be applied retroactively from July 01, 2008. At its May 2010 Special Meeting, the GEF Council agreed to provide “a 7% raise based on the salary levels of the Vice-Presidents of the World Bank and factors such as performance and tenure... [to] be applied retroactively from July 01, 2008.” Council also requested the SRC to develop a robust new proposal for reviewing the CEO’s and the EO Director’s salary in a way that would ensure “transparency of the process and results.”

2. In June 2010, the SRC proposed to the Council a process for reviewing the salary of the GEF CEO in the document GEF/C.39/11, *SRC Proposal for Reviewing the Salary of the GEF CEO*. The Council agreed to the process and asked the SRC to continue to work to increase transparency. No process for reviewing the salary of the EO Director was proposed to or discussed at the June 2010 Council meeting.

3. Subsequently, the SRC Chair worked with the Human Resources office of the World Bank to consider options for a transparent process for reviewing the EO Director’s salary. At the SRC meeting on November 4, 2010, the Chair proposed a procedure for the EO Director’s salary review that is a more fully articulated iteration of the procedure for adjusting the CEO’s salary as adopted at the June 2010 Council meeting. The Chair proposed that this process be recommended for the CEO salary review, as well. The proposal essentially builds on the June 2010 procedure for the CEO salary review by specifying how the June 2010 procedure would operate in line with the World Bank procedures for salary adjustments. The SRC agreed to recommend to the Council this more fully articulated procedure for both the GEF EO Director’s and the GEF CEO’s salary reviews.

## **THE NEW SALARY REVIEW PROCEDURE**

4. The June 2010 salary review process and agreed upon at the June 2010 Council meeting involves six steps. First the SRC will: (i) consider the outcomes of a performance objectives review; (ii) compare the CEO’s annual base compensation against a selected, appropriate comparator group (both internal and external to the World Bank Group) in order to assess its level relative position to this peer group; (iii) determine a recommended merit salary increase; and (iv) convey to the GEF Council the recommended merit salary increase, along with an explanation of the basis for the increase. The Council would then: (v) decide whether to approve

a merit salary increase; and (vi) inform the World Bank of any decision to approve a merit salary increase.

5. Under this new, more fully articulated proposal, the SRC will make use of the standard World Bank tools for annual merit-based salary increases, which provide a range of increases based on (1) bankwide decisions about the overall scale of salary increases, (2) the performance of the individual, and (3) the individual's position with respect to peers within the Bank (individuals at the lower end of the salary range are eligible for larger increases than those at the upper end). The SRC will also consider whether a further, ad hoc adjustment is needed based on comparisons outside the Bank. The World Bank mechanism operates as follows:

- Each year the Bank conducts a “salary review increase” (SRI) exercise. Compensation data from US comparator organizations are collected and analyzed. This compensation data serves as the basis for an overall salary increase recommendation to the Board. Once the salary increase Overall Pay Increase (OPI) is approved by the Board, each business unit receives a budget for its salary increases. The Compensation Unit of the Bank also provides a salary increase range based on the OPI to help managers determine salary increases. This year the Overall Pay Increase (OPI) was 3.7% and the range of percentage increase to staff was 0% - 7% (the merit increase range).
- On an annual basis, the business management team of each VPU evaluates each staff member's performance to assign an SRI rating. Individual salary increases are based on the SRI rating and the staff member's current salary position within the salary range for the staff member's grade (job level). Each salary range for each grade (job level) is divided into three equal salary zones and a given staff member will fall into one of those zones. In effect, two individuals who receive the same SRI rating would receive different percentage increases if they are in different salary zones. Generally, the individual on the higher salary zone would receive a lower percentage increase.
- As a matter of practice some functions are not subject to annual SRI ratings. These jobs include those in the internal Justice system as well as some others relating to assessments or evaluation of the corporate activities of the Bank. These functions receive a fixed SRI percentage. This practice ensures that we avoid the appearance of conflict of interest where Bank management awards discretionary SRI ratings to staff who in turn provide objective assessment on the Bank's corporate work. The GEF Evaluation Office Director position is currently included in this group. As a result of the same thinking, the position of Senior Vice President in charge of the Independent Evaluation Group (IEG) of the Bank reports directly to the Board (and not to the President of the Bank). In this particular instance issues regarding salary determination or increases are directly approved by the Board.
- In addition to the regular annual SRIs, special or ad-hoc salary adjustments may be initiated at any time in a few cases where appropriate rationale can be provided. In these cases, the recommending manager is required to demonstrate that the salary of the staff

member in question has significantly fallen out of the range of what is paid to a comparative group of staff on the same grade.

6. The Bank OPI is not determined until approximately July of each calendar year. Consequently, the current CEO salary review process, which calls for a recommendation for a salary adjustment to come from the SRC to the Council at its spring meeting, would need to be adjusted to require that any recommendation for a salary adjustment occur at the fall council meeting.

7. To integrate the above World Bank process into the GEF process for providing merit-based salary adjustments to the GEF CEO and EO Director suggests a slight revision to the earlier six-step process:

8. The SRC would: (i) consider the outcomes of the year's performance objectives reviews (which would be undertaken in the spring) to determine a recommendation for the CEO's and EO director's rating for use in the Bank's standard merit-increase procedure; (ii) employing the salary increase range that is based on the World Bank Board approved OPI, decide on, and submit to the Council at its fall meeting, a recommendation for a salary adjustment for the CEO and EO director; (iii) as needed, determine a recommendation for a further *ad hoc* adjustment based on a selected, appropriate comparator group (both internal and external to the World Bank Group); (iv) convey to the GEF Council the recommended rating level for a merit salary increase, as well as any recommended *ad hoc* increase, along with an explanation of the basis for the increase. The Council would then: (v) decide whether to approve a merit salary rating and/or adjustment; and (vi) through the SRC Chair inform the World Bank of that decision.

9. This procedure would be used for both the EO Director and the CEO beginning with the spring 2011 meeting.