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**REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES**



**Tax-Free Salaries Of The
International Development
Banks Exceed Those Of All
Member Governments**

Departments of the Treasury and State

The salaries of the World Bank and International Development Association and the Inter-American and Asian Development Banks, when adjusted for their tax-free status, are similar and generally comparable to those of the United Nations Secretariat. They are higher than those of all member governments. While the Departments of the Treasury and State have opposed recent pay increases as excessive, they have not worked together systematically to develop policy positions concerning appropriate salary levels.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D. C. 20548

B-161470

The Honorable Henry B. Gonzalez
Chairman, Subcommittee on International
Development Institutions and Finance
Committee on Banking, Currency and Housing
House of Representatives

CI

HSE 00708

Dear Mr. Chairman:

R, HSE 07-8

This is our report in response to your request of February 27, 1975, that we evaluate the salaries of the employees of the international development banks.

Informal advance comments from the Departments of the Treasury and State were obtained and considered, in accordance with the wishes of your office.

As requested, copies of this report are being sent to the Secretaries of the Treasury and State, who will also make known its contents to the international organizations concerned. Further distribution will be made as you advise.

Sincerely yours

Thomas B. Attract

Comptroller General
of the United States

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ABBREVIATIONS

GAO General Accounting Office
OAS Organization of American States
OMB Office of Management and Budget
U.N. United Nations

COMPTROLLER GENERAL'S
REPORT

TAX-FREE SALARIES OF THE
INTERNATIONAL DEVELOPMENT
BANKS EXCEED THOSE OF ALL
MEMBER GOVERNMENTS
Departments of the Treasury
and State

D I G E S T

Salaries at the World Bank and Inter-
national Development Association and
the Inter-American Development Bank
are tax free. Salaries of employees
other than U.S. and Philippine citizens
at the Asian Development Bank in Manila
are also tax free. *DL 00938 1*
DL 00939 2
DL 00940 3

Due primarily to these tax-free features,
the salaries of professionals at these
international development banks are higher
than the professional salaries of all member
governments.

The development banks compete with (1) each
other, (2) national governments and inter-
national organizations, and (3) commercial
institutions for professional personnel
and compare compensation when considering
salary increases. The Departments of the
Treasury and State have opposed recent pay
increases as excessive, but they have not
worked together systematically to develop
policy positions concerning appropriate
salary levels. (See p. 19.)

GAO believes that U.S. Treasury officials
should (1) develop policy positions con-
cerning appropriate salary levels for the
development banks, (2) fully coordinate
the development of these positions with
State officials responsible for U.S.
participation in other international or-
ganizations, and (3) work with the rep-
resentatives of other member nations to
agree on appropriate salary levels. (See
p. 20.) *AGC 00077 4*

A principle of United Nations (U.N.) pay
is that it should attract citizens from
the highest paid national civil service. *CNG 00815 5*

The U.S. is recognized as having the highest paid national civil service; however, its professional salaries are well below those of the U.N.

The salary structures of the development banks--adjusted to compensate for allowances for a hypothetical family of four and exemption from taxation or, in the case of employees who are subject to tax, for reimbursement of taxes--are similar and generally comparable to the U.N. Secretariat's adjusted salary structure. (See pp. 7, 8, and 13.)

Professional Pay

<u>Organization</u>	<u>Average salary adjusted for tax-free status and allowances</u>
World Bank/Association	\$35,286
Inter-American Bank	33,120
U.N. Secretariat <i>DLG 00941 6</i>	35,195
U.S. civil service <i>AGC 00013</i>	20,283

Comparisons of the adjusted salary structures reveal that:

- About 5 percent of the professional staff of the World Bank/Association and the Inter-American Bank earn more than \$56,000.
- About 20 percent of the World Bank/Association staff and over 15 percent of the Inter-American Bank staff earn more than \$44,000.
- Almost 45 percent of the World Bank/Association professional staff and almost 35 percent of the Inter-American Bank staff earn more than \$36,000. Only about 1-1/2 percent of U.S. civil service GS-9 through GS-18 civil servants earn \$36,000 or more. (See pp. 5 and 13.)

Recent pay increases at all of the development banks were greater than those

approved for the U.S. civil service, thereby increasing the gap between these salary systems.

The Asian Development Bank is located in Manila and some employees must pay income taxes on their salaries which are not reimbursed. However, the unadjusted basic salary structure is similar to the unadjusted salary structure of the World Bank/Association. About 70 percent of both staffs have actual salaries over \$20,000. (See p. 18.)

The United Nations Secretariat adjusted pay structure for professionals is similar to that of the World Bank/Association. In fact:

--Almost 30 percent of the United Nations Secretariat and over 30 percent of the World Bank/Association adjusted salaries exceed \$40,000.

--About 95 percent of the salaries of both staffs exceed \$20,000. (See p. 8.)

The average salary of the professional staffs of the international departments of United States banks, for which GAO acquired data, is about \$30,000. This average salary is higher than the average actual salaries paid by the development banks but lower when they are adjusted for tax exemptions and allowances. (See p. 9.)

CHAPTER 2

SALARIES AT THE WORLD BANK AND INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Bank for Reconstruction and Development (World Bank) is the oldest and largest of the international development banks. Its emphasis has evolved from contributing to reconstructing war-disrupted economies following its establishment in 1945, to contributing to the social and economic development of the developing nations. There are 125 member nations. The International Development Association was established as an affiliate in 1960 to make loans on more flexible terms that carry only a small service charge. It has 114 member nations. A single professional staff serves both organizations, which are based in Washington, D.C.

In terms of annual and cumulative lending, these two organizations are the largest of the development banks. World Bank loans totaled \$18,467 million as of June 30, 1974. In fiscal year 1974 loans totaling \$3,218 million were approved. The Association credits in fiscal year 1974 were \$1,095 million, bringing its cumulative total to \$6,729 million.

COMPARISON WITH OTHER ORGANIZATIONS' PAY STRUCTURES

The staff of the World Bank/Association functions under the guidance of representatives of the member nations. Employees are classified as professional or support in two separate salary systems. Professionals are placed in grade J, the entry level, through Q. Specialists such as economists and engineers, and managers such as department heads are graded within this system. (See app. II.)

The salaries are arranged in eight grades, as follows:

<u>World Bank/Association</u>		
<u>Grade System</u>		
<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
Q	\$38,570	\$45,180
P	27,800	41,390
O	27,800	37,340
N	25,350	34,000
M	22,040	30,110
L	19,010	30,110
K	15,440	22,240
J	12,250	18,360

The salaries of 30 personnel in grades J through Q exceed the maximum by \$250 to \$1,120. These persons are long-term employees whose salaries exceeded the maximum when the grades and salaries were established.

World Bank/Association and U.S. Government

The World Bank/Association salary schedule for professional personnel appears to be similar to that of U.S. General Schedule professional personnel, who generally fall within grades GS-9 through GS-18.

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
GS-18		<u>a/\$46,336</u>
17	<u>a/\$40,062</u>	<u>a/\$45,402</u>
16	34,607	43,839
15	29,818	38,764
14	25,581	33,258
13	21,816	28,359
12	18,463	23,998
11	15,481	20,125
10	14,117	18,356
9	12,841	16,693

a/Rate limited by the \$36,000 ceiling.

The average unadjusted salary of World Bank/Association professionals is \$23,469. The average salary of the U.S. civil servants (GS-9 through GS-18) is \$20,283, but the civil service salary is subject to income taxation, whereas that of the World Bank/Association is not. (See p. 4.)

Recent pay increases, not included in this comparison, of 5 percent for U.S. civil servants and 7 to 9.7 percent for the World Bank/Association professionals will further widen the salary gap.

The table showing the World Bank/Association pay scale does not indicate the distribution of actual salaries. Accordingly, we tabulated the number and percentage of professional employees (as of July 31, 1974) receiving a range of salaries and the cumulative percentages. The World Bank/Association grade system does not consist of steps and related salaries within each grade. Instead, there are open performance ranges.

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World Bank/Association
Unadjusted Professional Salaries

<u>Salary bracket</u>	<u>Number in bracket</u>	<u>Percentage in bracket</u>	<u>Cumulative percentage (note a)</u>
\$40,001 to 44,000	13	0.7	0.7
36,001 to 40,000	26	1.5	2
32,001 to 36,000	114	6	9
28,001 to 32,000	223	13	21
24,001 to 28,000	413	24	45
20,001 to 24,000	431	25	70
16,001 to 20,000	342	19	89
12,001 to 16,000	<u>192</u>	11	100
Total	<u><u>1,754</u></u>		

a/Due to percentage rounding, the cumulative totals may not equal the sum of the bracket totals.

Over two-thirds of the professional staff receive actual salaries of over \$20,000. When the special features of these salaries are considered, however, \$20,000 equates to a U.S. taxable salary of \$28,600.

The "real" distribution of World Bank/Association pay in U.S. terms is quite different than the previous chart indicates. The primary feature is their tax-free status. The articles of agreement prohibit member governments from taxing salaries of employees who are not local citizens or other local nationals. The U.S. does tax its nationals. Most employees, however, are exempt from income taxes and to equalize pay, those who pay taxes are reimbursed. U.S. Federal and State taxes are completely reimbursed, and social security taxes are partially. Another feature is the dependency allowance--\$500 for a spouse and \$300 for each dependent child. (Increased allowances recently approved are described on page 10.) The salaries of the World Bank/Association staff have thus been adjusted to compensate for these special features using a hypothetical family of four living in Washington, D.C. The distribution of adjusted salaries is as follows:

World Bank/Association
Adjusted Professional Salaries

Salary bracket (note a)	Number in bracket	Percentage in bracket	Cumulative percentage (note b)
\$76,001 to 80,000	2	0.1	0.1
72,001 to 76,000	4	.2	.3
68,001 to 72,000	16	.9	1.3
64,001 to 68,000	6	.3	1.6
60,001 to 64,000	15	.9	2
56,001 to 60,000	1	2	5
52,001 to 56,000	69	4	9
48,001 to 52,000	94	5	14
44,001 to 48,000	107	6	20
40,001 to 44,000	209	12	32
36,001 to 40,000	193	11	43
32,001 to 36,000	265	15	58
28,001 to 32,000	212	12	70
24,001 to 28,000	179	10	81
20,001 to 24,000	244	14	94
16,001 to 20,000	98	6	100
Total	<u>1,754</u>		

a/The average adjusted salary is \$35,286.

b/Due to percentage rounding, the cumulative totals may not equal the sum of the bracket totals.

The adjustment of the World Bank/Association salaries, to compensate for their tax-free status and other features, provides a realistic indication of compensation, as follows:

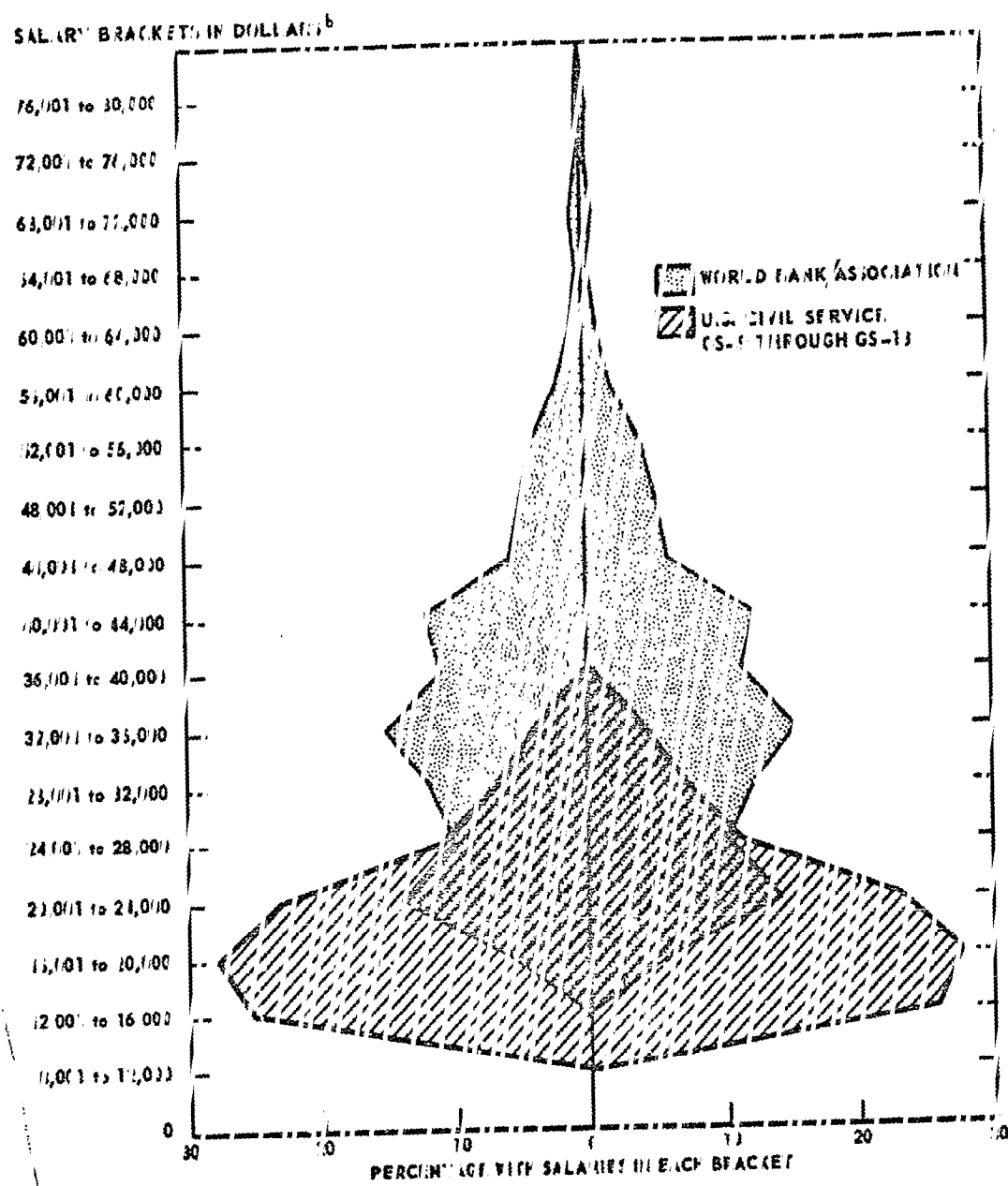
--About 5 percent of the professionals at the World Bank/Association have adjusted salaries higher than \$50,000.

--About 20 percent earn more than \$44,000.

--About one-third earn more than \$40,000.

The adjusted salaries are considerably higher than those of the U.S. civil service, which is considered to be the highest paid national civil service. Almost 45 percent of the World Bank/Association professionals have adjusted salaries over \$36,000, the salary of all top U.S. civil servants. Civil service salaries have been frozen at a ceiling of \$36,000 since 1971; about 1-1/2 percent of the civil service GS-9s through GS-18s earn \$36,000. Almost 60 percent of the World Bank/Association professionals have adjusted salaries over \$32,000.

DISTRIBUTION OF PROFESSIONAL SALARIES (note a)



a World Bank/Association salaries adjusted to compensate for tax-free status and dependency allowances based on a hypothetical family of four living in Washington, D.C. U.S. civil service data includes GS-5 through GS-18 full-time employees.
 b Due to rounding, bracket totals do not equal 100%

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Only 4 percent of the 598,838 U.S. civil service personnel in grades GS-9 through GS-18 have salaries over \$32,000. Finally, almost 95 percent of World Bank/Association professionals have adjusted salaries over \$20,000. Only about 45 percent of the U.S. civil servants do. The latest distribution of U.S. civil service personnel by grade and step, utilized to develop this data, was as of March 31, 1974.

The World Bank/Association uses conversion tables in adjusting salaries to compensate for their tax-free status. These show the U.S. before-tax equivalent of the unadjusted salaries based on use of the standard deduction and the appropriate State residence. (In calculating the Federal tax, the State tax is used instead of the standard deduction when it is larger.) Employees subject to full income tax (U.S. citizens working within the United States and overseas less than specified periods of time) are paid the adjusted total.

World Bank/Association and
United Nations Secretariat

The U.N. has, since its inception, based its salaries on the Noblemaire principle which says, in effect, that there should be no difference in salary based on nationality and that conditions of employment should be such so as to attract citizens from the highest paid national civil service. The U.S. has been recognized as having the highest paid national civil service, and the U.N. has traditionally used a series of benchmark comparisons. In opposing the latest salary increase at the U.N., the U.S. representative noted in December 1974 that with the proposed 6 percent increase, U.N. net salaries would exceed net U.S. civil service salaries by 29 to 54 percent at the benchmark positions, whereas a difference of no more than 15 percent was considered reasonable compensation for the expatriate status of staff. The 6 percent increase was approved, nevertheless, and is reflected in the U.N. salary data used in this report. The U.N. is one of the organizations the World Bank/Association attempts to remain competitive with in attracting and holding professional staff.

The adjusted pay structure of the professional staff of the United Nations Secretariat is generally comparable to that of the World Bank/Association staff. The U.N. average adjusted salary is \$35,195, and the World Bank/Association's is \$35,286. Included in the U.N. Secretariat data are 3,343 professionals (as of December 1974), 17 Assistant Secretary Generals, and 17 Under Secretary Generals.

The Secretariat services the other organs of the U.N. and administers their programs and policies. Its work includes (1) conducting and administering peace-keeping operations, (2) surveying world economic trends and problems, (3) preparing for international conferences, and (4) compiling statistics.

We adjusted the U.N. salaries to compensate for their special features and to compare them with salaries of the development banks. Whereas employees of the development banks are paid a basic salary and dependency allowances, those of the U.N. are paid a basic salary and dependency allowances plus post adjustment (cost of living allowance). The post adjustment varies according to differences in living costs at duty stations throughout the world and is designed to equalize pay worldwide. Although U.N. headquarters are in New York City, we added the post adjustment for Washington, D.C., to the basic salary for comparative purposes. Adjustments were made on the basis of a hypothetical employee with dependents and dependency allowances of \$400 for a spouse and \$450 each for two children.

The Convention on Privileges and Immunities of the United Nations (with reservations) states that officials shall be exempt from taxation on salaries and emoluments paid to them by the U.N. In ratifying the convention, however, the U.S. did not accept this section. U.S. citizens and those of about seven other nations working for the U.N. are not exempt from taxation. The U.N., however, reimburses taxpaying employees. To adjust U.N. salaries (including the post adjustment) to compensate for the tax-free feature, we used the same conversion tables used to adjust World Bank/Association salaries. Whereas these adjusted salaries are actually paid to World Bank/Association employees subject to full U.S. taxation, only actual taxes paid are reimbursed by the U.N.

Adjusted Professional Salaries

Salary brackets	World Bank/ Association		U.N. Secretariat	
	Number in bracket	Cumulative percentage	Number in bracket	Cumulative percentage
\$70,001 to 80,000	13	0.7	34	1
60,001 to 70,000	30	2	38	2
50,001 to 60,000	124	10	318	12
40,001 to 50,000	396	32	604	29
30,001 to 40,000	590	66	1,010	59
20,001 to 30,000	503	94	1,282	97
10,001 to 20,000	98	100	91	100
Total	<u>1,754</u>		<u>3,377</u>	

World Bank/Association and the
Organization of American States

The OAS was established in the post-World War II period with stated objectives of (1) strengthening peace and security of the continent, (2) preventing possible causes of difficulties and seeking pacific settlement of disputes, (3) providing for common action in the event of aggression, (4) seeking solutions to political, juridical, and economic problems, and (5) promoting, by cooperative action, the members' economic, social, and cultural development. The OAS Secretariat undertakes related activities under the management of its Secretary General. All activities are under the general direction of the representatives of the member nations. The gross budget of the OAS for fiscal year 1975 was about \$33 million. There are 25 member nations in the OAS (as of July 1975).

The OAS has a staff of 768 professionals (as of May 15, 1975), most of whom are in Washington, D.C. They are classified, paid, and in the case of certain employees, reimbursed for income taxes paid under the same provisions and methods as U.N. employees. We made the same adjustments to the OAS salaries as we did to the U.N. salaries.

The adjusted pay structure of the OAS professionals slightly exceeds that of the World Bank/Association, with over 50 percent of the OAS staff having adjusted salaries over \$36,000.

World Bank/Association
and U.S. banks

A number of U.S. banks are internationally active. Personnel in their international departments, based in the United States and at overseas branches, are involved in the whole range of banking services.

A number of commercial banks supplied data to us on salaries paid by their international departments to professionals--personnel with responsibilities ranging from first line supervisors and first level loan or customer relations officers to officers responsible for international banking activities. These departments are under the general guidance of top bank management.

The average salary of professionals in the international departments of commercial banks which supplied data is about \$30,000, including profit-sharing benefits and, when applicable, overseas allowances. This is considerably higher than the average actual salary paid to World Bank/Association

professionals of \$23,469. However, all commercial bank employees based in the United States are subject to U.S. taxes and those based overseas are subject to local taxes. Furthermore, U.S. citizens abroad over specified periods of time are subject to U.S. taxes on earned income over \$20,000. The actual salaries paid at the development banks, on the other hand, are not reduced by income taxes. When adjusted to compensate for this tax-free feature and allowances paid for dependents, the average salary is \$35,286--higher than that of the commercial banks' international departments.

The comparative data shows that almost 25 percent of the average U.S. commercial bank department have adjusted salaries over \$36,500, whereas almost 45 percent of the World Bank/Association staff do. The U.S. bank pays under 15 percent of its international department professionals over \$42,500. Over 20 percent of the World Bank/Association staff have adjusted salaries over \$42,500.

RECENT PAY INCREASE

The Board of Directors of the World Bank/Association approved an increase in compensation in May 1975, retroactive to March 1, 1975. Salaries up to \$27,000 were increased by 9.7 percent; above that, the percentage increase was tapered down to 7 percent, subject to a ceiling of \$38,500. The Board also increased the dependency allowance for a spouse from \$500 to \$500 plus 1-1/2 percent of that portion of net salary over \$10,000, and for a child from \$300 to \$400.

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CHAPTER 3

SALARIES AT THE INTER-AMERICAN

DEVELOPMENT BANK

The Inter-American Development Bank was established in 1959 with the stated purposes of (1) contributing to the acceleration of economic development in the member nations by promoting public and private investment for development purposes, (2) using its own funds to finance development projects, and (3) providing technical assistance in the preparation, financing, and implementation of development plans and projects. It now has 24 member nations (as of July 1975), including two non-Latin American nations--the United States and Canada. In its fiscal year 1974, its approved loans were about \$1,111 million, bringing the cumulative loan total to \$7,416 million.

Activities of the Inter-American Bank are under the guidance of representatives of the member nations. The staff, headed by a president and executive vice president, are classified as managers, professionals, or administrative (clerical and support) personnel. In this report, the 22 "managers" and the 728 designated "professionals" are categorized as professionals. There are four specific salaries for managers and nine grade levels, each with a range of salaries, for the professionals. Responsibilities in the nine grades range from analysis at the entry level to management of a major function.

Inter-American Bank Professional Salaries

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
Senior manager		\$39,270
Managers		36,645
Senior deputy managers		36,435
Deputy managers		35,595
I	\$27,717	\$34,716
II	24,368	33,153
III	21,356	31,378
IV	18,538	27,327
V	16,345	24,006
VI	14,317	21,049
VII	12,727	18,772
VIII	11,315	16,598
IX	10,078	14,786

COMPARISON WITH OTHER
ORGANIZATIONS' PAY STRUCTURES

The preceding salary scale appears similar to that of the U.S. civil service for grades GS-9 through GS-18, as was the case with the World Bank's salary scale. (See ch. 2.) Our calculations of the distribution of personnel (as of March 31, 1975) by salary brackets show the following cumulative percentages.

Inter-American Bank
Unadjusted Professional Pay

<u>Salary bracket</u>	<u>Number in bracket</u>	<u>Percentage in bracket</u>	<u>Cumulative percentage (note a)</u>
\$36,001 to 40,000	8	1	1
32,001 to 36,000	53	7	8
28,001 to 32,000	65	9	17
24,001 to 28,000	126	17	34
20,001 to 24,000	217	29	63
16,001 to 20,000	158	21	84
12,001 to 16,000	96	13	97
8,001 to 12,000	<u>27</u>	4	100
Total	<u><u>750</u></u>		

a/Due to percentage rounding, the cumulative totals may not equal the sum of the bracket totals.

This chart shows that almost two-thirds of the Inter-American Bank's professionals receive actual salaries of \$20,000 or more. The average salary is \$22,085.

"Real" Inter-American Bank compensation in U.S terms, however, is considerably higher because of its special features. As at the World Bank/Association, member nations may not tax salaries of employees who are not local citizens or other local nationals. Most salaries are tax free; U.S. employees who pay tax are reimbursed from tables assuming use of the standard deduction. Accordingly, the Inter-American Bank salaries have also been adjusted to compensate for this tax-free status using the same tables used to adjust World Bank/Association pay. Dependency allowances of \$1,475 for a family of four (\$675 for a spouse and \$400 for each dependent child) are also included.

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Inter-American Bank
Adjusted Professional Pay

<u>Salary bracket</u>	<u>Number in bracket</u>	<u>Percentage in bracket</u>	<u>Cumulative percentage (note a)</u>
\$68,001 to 72,000	1	0.1	.0.1
64,001 to 68,000	0	0	.1
60,001 to 64,000	21	3	3
56,001 to 60,000	17	2	5
52,001 to 56,000	22	3	8
48,001 to 52,000	32	4	12
44,001 to 48,000	33	4	17
40,001 to 44,000	52	7	24
36,001 to 40,000	74	10	34
32,001 to 36,000	99	13	47
28,001 to 32,000	129	17	64
24,001 to 28,000	113	15	79
20,001 to 24,000	62	8	87
16,001 to 20,000	78	10	98
12,001 to 16,000	<u>17</u>	2	100
Total	<u>750</u>		

a/Due to percentage rounding, the cumulative totals may not equal the sum of the bracket totals.

The average unadjusted salary of professionals at the Inter-American Bank is \$22,085. The average adjusted salary, however, is \$33,120, as compared to the average adjusted salary for World Bank/Association professional employees of \$35,286.

RECENT PAY INCREASE

A pay increase was approved by the Board of Executive Directors in June 1975, retroactively effective as of June 1, 1975. Salaries up to \$27,000 were increased by 8.5 percent. Above that the increase was tapered to 5.77 percent.

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CHAPTER 4

SALARIES AT THE ASIAN DEVELOPMENT BANK

The Asian Development Bank, with headquarters in Manila, is the youngest and smallest of the three development banks reviewed. It officially came into existence in 1966, with the stated purpose of fostering economic growth and cooperation in the region and contributing to the acceleration of economic development of the developing member nations. There are 41 member nations (as of July 1975). In its fiscal year 1974, its approved loans were \$547.68 million, bringing the cumulative loan total to \$1,923.7 million. Activities of the Bank are under the guidance of representatives of the member nations.

The Asian Bank's staff is headed by a president and vice president. Employees are classified as professional or support personnel. The 235 professionals (as of Mar. 31, 1975) are classified in five grades as shown in the following table. Positions in these grades include specialists, such as engineers, financial officers, and economists, and managers, such as the six department directors.

Asian Bank
Professional Salaries

<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
V	\$27,500	\$34,500
IV	22,200	30,000
III	16,875	25,415
II	12,430	21,185
I	5,650	14,690

This schedule was not revised by the Asian Bank to reflect the salary increase granted in August 1974. The average pay in each grade, therefore, is near or over the maximum. The distribution of professionals by salaries actually received is shown in the following chart.

Asian Bank
Unadjusted Professional Salaries

Salary brackets (note a)	Number in bracket	Percentage in bracket	Cumulative percentage
\$32,001 to 36,000	15	6	6
28,001 to 32,000	25	11	17
24,001 to 28,000	56	24	41
20,001 to 24,000	74	31	72
16,001 to 20,000	61	26	98
12,001 to 16,000	<u>4</u>	2	100
Total	<u>235</u>		

a/The average salary is \$23,396.

The Asian Bank is located outside of the United States and some of its employees are subject to income taxes. Unlike the other development banks, however, the Asian Bank does not reimburse employees who pay taxes. The employees include U.S. and Philippine citizens. U.S. employees abroad for over specified periods of time are taxed on earned income over \$20,000, whether they work for the Asian Bank or for a private organization. Like employees of the other development banks, Asian Bank employees are paid allowances for dependents, which total \$1,300 for a family of four (\$500 for a spouse and \$400 for each child).

Whereas the other two development banks are located in Washington, D.C., the Asian Bank is in Manila. The cost of living has traditionally been less in Manila, but is now approaching that of Washington, D.C. According to the United Nations' post adjustment system, the cost of living is one class (or about 5 percent) less in Manila (as of June 1975). Housing is a particular problem in Manila because foreigners are prohibited from buying land in the Philippines and, therefore, must rent. The U.S. Embassy in Manila said that Embassy families' average monthly rent for a four or five bedroom unfurnished house in a section of the city preferred by foreigners has risen sharply. It increased from about \$193 in 1970 to \$345 in 1974. For personnel seeking four bedroom rental homes in that area in mid-1974, realtors cited monthly rents averaging \$595 to \$893.

COMPARISON WITH OTHER
ORGANIZATIONS' PAY STRUCTURES

Asian Bank and U.S. Government

The Asian Bank salaries have not been adjusted to compensate for tax-free features, as was done with the salaries of

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the other development banks because, in the case of the Asian Bank, the tax-free feature is not applicable to all employees. In addition, the cost of living in Manila differs from that in Washington, D.C.

A comparison of the unadjusted salary distribution of its professionals with that of the U.S. civil service (grades GS-9 through GS-18) shows that over 70 percent of the Asian Bank professionals, but only 45 percent of the U.S. civil servants, are paid over \$20,000. Over 40 percent of Asian Bank staff, but only about 20 percent of the U.S. civil servants, are paid over \$24,000. The difference lessens in the higher pay ranges. The top salary of the grade V personnel (\$34,500) was established previously and maintained as a ceiling when the August 1974 Asian Bank pay increase, averaging about 15 percent, was approved. About 6 percent of the Asian Bank professionals and 4 percent of the U.S. civil servants are paid over \$32,000.

RECENT PAY INCREASE AND RENT SUBSIDY

In September 1975 the Board of Directors approved pay increases, effective retroactively as of August 1, 1975. Professional salaries up to \$24,000 were increased by 9 percent; above that the increase was tapered to 5.5 percent. The dependency allowance for a spouse was raised to \$750 per year. The Board also approved a 1 year rent subsidy, effective October 1, 1975. For rental expenses over 15 percent but not more than 30 percent of basic monthly salary, professionals will receive a peso subsidy for 50 percent of the amount over 15 percent. A staff member's basic salary plus rental subsidy is not to exceed \$38,500.

CHAPTER 5

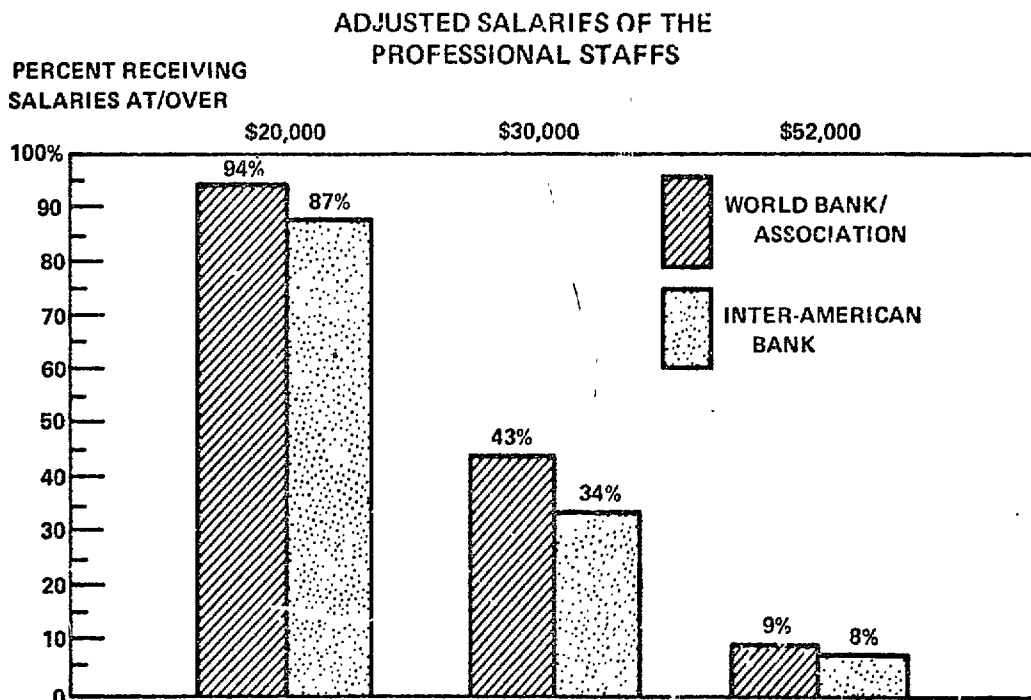
SALARIES AT THE THREE DEVELOPMENT BANKS COMPARED

The salary structures of the three major development banks are generally similar. To a large degree, this results from the similarity of their objectives, activities, and staff requirements. Furthermore, these organizations compete in attracting and holding professional staff.

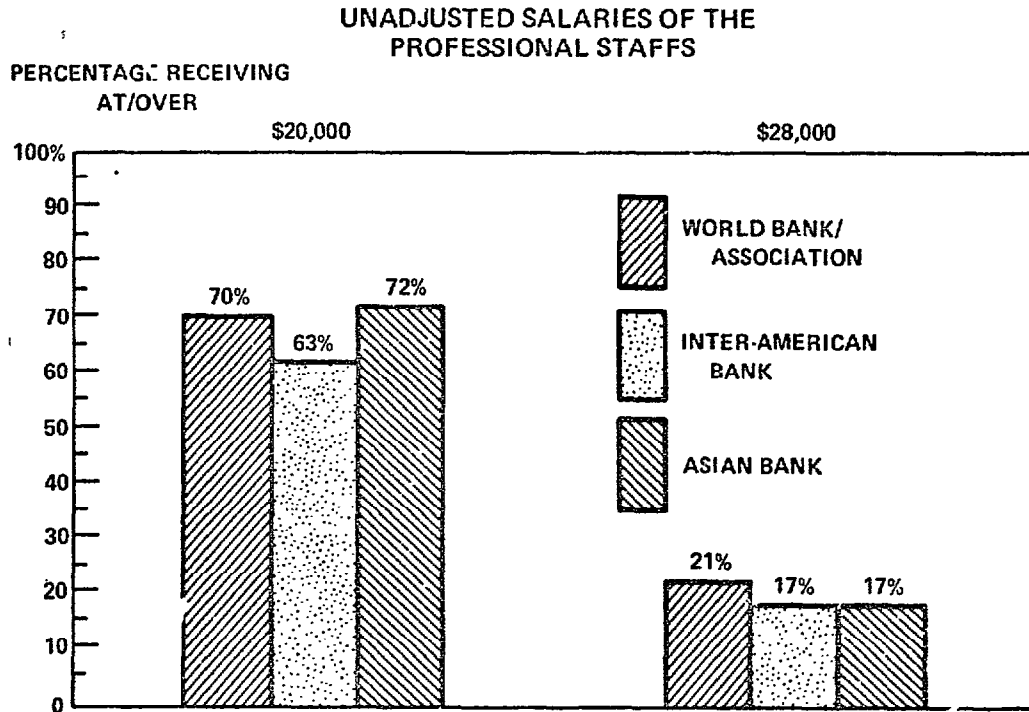
The World Bank/Association staff is more than twice that of the Inter-American Bank. In fiscal year 1974, World Bank/Association loans totaled \$4,313 million--about four times the total of loans approved by the Inter-American Bank in its fiscal year 1974.

The Asian Bank staff is about 13 percent as large as the World Bank/Association staff. In its fiscal year 1974, the Asian Bank loan total was about 13 percent of the amount of the World Bank/Association's.

Compensation at the World Bank/Association and the Inter-American Bank can be directly compared, because both are based in Washington, D.C., and both reimburse employees who must pay income taxes. The following graphs compare the salaries of the two staffs, adjusted to compensate for their tax-free status and other features, as explained in chapters 2 and 3.



Since the Asian Bank does not reimburse employees who must pay income taxes, the following chart illustrates the unadjusted, actual salary distributions at the three development banks. These salaries are not adjusted for differences in the cost of living, dependency allowances, or the fact that, except for U.S. and Philippine citizens working at the Asian Bank, salaries are tax free.



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CHAPTER 6

NEED TO COORDINATE U.S. POSITIONS ON COMPENSATION

The salary structures at the international development banks are generally comparable. These banks all seek to recruit and retain a high-caliber international professional staff. To a large degree, they are engaged in similar work. This similarity causes them to compete for professional staff and, consequently, each strives to offer compensation that equals or exceeds that at the other banks. They also compete with other international organizations as well as national governments and commercial organizations for professional staff.

U.S. Treasury and State officials have opposed recent increases in salaries at the development banks and U.N. Until recently, however, there has been no systematic effort by U.S. Treasury and State officials to coordinate examination of and responses to requests for pay increases at the development banks and international organizations with each other, the Civil Service Commission, and the Office of Management and Budget (OMB).

In May 1975, representatives of State, Treasury, and OMB held a preliminary meeting to discuss the need for coordination to insure that U.S. policies at the various organizations were consistent. The Assistant Secretary of State for International Organizations said that such coordination was overdue. It was decided to establish two working groups; one to formulate general policies and guidelines, and the other to gather data on compensation in the organizations. Both groups began meeting. Full use of these two groups could improve U.S. analysis of salaries and policy development.

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CHAPTER 7

CONCLUSIONS

This review has revealed both the similarity of the pay structures of the development banks and other international organizations and the substantial difference between these pay structures and that of the U.S. civil service. The development banks and international organizations themselves compare salaries when seeking pay increases. Consequently, nations which belong to multiple international organizations should examine and compare compensation at these organizations when considering requests for pay increases.

We believe that U.S. Treasury officials should (1) develop policy positions concerning appropriate salary levels for the development banks, (2) fully coordinate the development of these positions with State officials responsible for U.S. participation in other international organizations, and (3) work with the representatives of other member nations to agree on appropriate salary levels.

CHAPTER 8

SCOPE OF REVIEW

This report examines the compensation of the professional staffs of the World Bank and International Development Association, and the Inter-American and Asian Development Banks. Data was also acquired on the United Nations Secretariat, Organization of American States, U.S. civil service, U.S. Foreign Service, and U.S. commercial banks. For all organizations except the Asian Bank, U.S. commercial banks, and World Bank/Association, data was provided on the number of personnel in each step of each grade or level. The U.S. commercial bank and Asian Bank data showed the distribution of staff within salary ranges of \$500 or \$1000, or their multiples. The World Bank/Association has open performance ranges in each grade rather than steps, and the data provided indicated only the number of personnel in 10 ranges within each grade's salary range. These salaries were adjusted for allowances and tax-free status as appropriate. NSC 00031

Salary data was requested by the Department of State for the Organization for Economic Cooperation and Development but was not received by the time this report was prepared. Salary data was not requested from foreign governments on their civil services, because U.N. bodies consider the U.S. civil service the highest paid national civil service. NSC 00032
9

The organizations, other than the U.S. civil service, define and classify professionals in separate grade systems and their individual classifications were used in this report. The U.S. civil service uses a single grade system, the General Schedule, for professional, administrative, technical, and clerical personnel. In order to compare salary structures, data on all white-collar, full-time civil service employees in grades GS-9 (and equivalents) and above was utilized.

Since this report compares the salary structures of professional staffs, the president and vice president (or their equivalents) were excluded from tabulations.

We do not have the authority to directly audit the development banks and thus to conduct a study on the compensation for each actual job, which would entail extensive interviewing. To provide some perspective on the type of work done in these organizations, however, sample jobs at various levels are described and compared to sample jobs in other organizations. (See app. II.)

We obtained the basic data used in this report from offices of the Departments of the Treasury and State responsible for managing U.S. participation in the development banks and other international organizations. Work was done in the headquarters cities of these organizations: Washington D.C., for the World Bank/Association, Inter-American Bank, and Organization of American States; Manila for the Asian Development Bank; and New York for the U.N. Data on the U.S. commercial banks was that provided in response to our requests.

APPENDIX I

APPENDIX I

HENRY F. GONZALEZ, TEX., CHAIRMAN

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B-161470

February 27, 1975

B4a

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
441 G Street
Washington, D. C. 20548

Dear Mr. Staats:

The Subcommittee on International Development Institutions and Finance, of which I am Chairman, has legislative responsibility for U.S. participation in the multilateral development banks. Year after year, in committee sessions and floor debate, questions are raised on the level and appropriateness of expenses in the development banks. One principal area of concern by Members has been the salaries and fringe benefits paid to the officers and employees of the banks. Many Members feel that the salaries are too high, especially at the World Bank Group.

Of course, the Congress and Executive Branch do not have direct control over these salaries, but the U.S. Government can voice its opinion on such matters through its Governor and Executive Directors at the banks. (A letter regarding the Administration's position is enclosed).

If at all possible, could you place on your work schedule an evaluation of the development bank salaries. This would be most helpful to my Subcommittee.

Perhaps the best means of evaluating the salaries is by comparing them with salaries at: (a) the U.N., and other international organizations, (b) the U.S. Government and other governments, and (c) commercial banks, especially those operating internationally. In these three categories there should be a sufficient number of job positions of comparable scope and responsibility for us to get

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APPENDIX I

Hon. Elmer B. Staats
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February 27, 1975

fair comparisons. The comparisons should perhaps take into account the size of the institution; e.g., the World Bank might be compared with large commercial banks and international agencies, while the Asian Bank would be compared with smaller organizations.

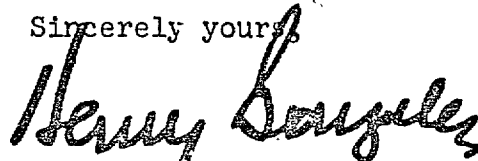
I would recommend that we consider all three banks -- Asian Development Bank, Inter-American Development Bank, and the World Bank Group. As the World Bank Group is the largest, you might wish to spend more time on it than others.

Enclosed are the data on salaries which were provided to us last year during our consideration of bills providing funds for the development banks. While the data will have to be updated, it illustrates the types and range of salaries you should consider covering.

The enclosed information also includes a comparison of bank salaries and U.S. Civil Service salaries. However, the bank salaries are shown net of taxes, resulting in an inadequate comparison. Your evaluation should consider the tax effects and perhaps show all comparisons in gross salary or equivalents. Estimates of gross salary equivalents are shown on one page of the enclosures.

Thanking you for your assistance, I am

Sincerely yours,



Henry B. Gonzalez, M.C.
Chairman

Enclosures:(6)

cc: Chairman Henry S. Reuss
Hon. Albert W. Johnson

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DESCRIPTION OF SAMPLE JOBSIN THE ORGANIZATIONS REVIEWED

The development banks assist developing countries by providing loans and technical assistance. To varying degrees, however, their work resembles that of international commercial banks, the U.N., and U.S. Government personnel. In order to provide a general impression of activities and related compensation at the development banks, certain jobs were selected at the World Bank/Association and at the other organizations.

JOBS AT THE ENTRY LEVELS

The lowest professional salary level at the World Bank/Association is that of the Entrance Level Professional. The job calls for (1) analyzing economic, financial, or technical aspects of a development project, (2) solving problems in project analysis, and (3) preparing documentation for loan negotiations. The employee must have at least a master's degree in a field related to World Bank/Association work, usually an MBA in finance or Ph.D. in economics. Typically, the employee is 27, knows two languages, and has two years of professional experience. The adjusted starting salary is about \$16,460.

Vacancy announcements for the entry level at the U.N. Secretariat generally call for an advanced degree and some experience. One position, an Economic Affairs Officer, calls for an advanced university degree in economics or econometrics (with training in the other) and some research experience in an international financial institution or a developing country, or experience teaching development economics. The employee selected would be hired at one of the two lowest levels, which have adjusted salaries starting at \$16,090 and \$20,960.

Salaries in the international departments of U.S. banks in the \$12,500 to \$18,500 range include those of firstline supervisors and international banking officers who help prepare economic and loan data.

In the U.S. Government, a person with a master's or other graduate degree and some experience, or with a bachelor's degree and considerable relevant experience is often hired as a GS-9, with a starting salary of \$12,841. The entry level in the U.S. Foreign Service is FSO-8, with a starting salary of \$10,520, or FSO-7, with a starting salary of \$12,285. However, Foreign Service staff with salaries in the adjusted range of entry level professionals at the international organizations

are FSO-5s. For example, an FSO-5, with a starting salary of \$17,726, represents the State Department at staff weekly meetings of the National Advisory Council on International Monetary and Financial Policies. At the meetings, individual loan projects and policies of the international development banks, Export-Import Bank, and Public Law 480 food exports and commodity aid are reviewed. The incumbent is responsible for developing, presenting, and defending the Department's views.

JOBS IN THE MID LEVELS

At the World Bank/Association, an industrial economist evaluates developing countries' industrialization structures and the costs and benefits of proposed industrial projects. This job can have an adjusted starting salary of \$32,200. At the U.N., an Economic Affairs Officer, with an adjusted starting salary of \$32,580, prepares reports, organizes meetings, and corresponds with governments and international organizations in regard to the development of inland water transport in Europe.

At the small international department of a U.S. bank, the vice president-head of operations has a salary in the \$30,000 to \$33,000 range. At another bank, an international lending officer has a comparable salary. The starting salary of a GS-15 in the U.S. civil service is \$29,818 and of a Foreign Service FSO-2, \$34,373.

JOBS AT THE HIGHER LEVELS

A division chief at the World Bank/Association who heads the regional projects department has an adjusted salary of at least \$38,380. The division, with a professional staff of about 14, has responsibility for about 6 projects per year, totaling almost \$200 million annually, and for assisting program divisions. Typically, the incumbent is 43 years old and has several years practical experience and a thorough knowledge of World Bank operations. The head of a regional field office in the World Bank has an adjusted salary of at least \$43,030. Typically, the incumbent's experience at the World Bank includes 8 to 10 years as a country economist or loan officer concerned with developing countries and several years coordinating regional programs.

In the U.N. Secretariat, the Deputy Director, who administers the Resources and Energy Economics Branch of the Resources and Transport Division, has an adjusted starting salary of \$47,300. In the U.S. commercial banks, personnel earning \$40,000 to \$50,000 include (1) international lending officers who are responsible for technical assistance in

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difficult financial areas, (2) a senior vice president responsible for business in a region, and (3) a vice president in charge of policies and goals related to computer systems and financial controls. These salary ranges are all above those of all top U.S. civil servants (\$36,000).

U.S. Cabinet level officials are paid salaries of \$60,000. The initial adjusted salary of top financial executives of the World Bank Group is \$66,500. One top financial executive is responsible, in the absence of the president and senior vice president, for the operations and activities of the World Bank Group and, in general, reviews and coordinates long-range programs and financial requirements. Typically, the incumbent is 62, knows 5 languages, and has 31 years of experience in international banking and financial management. An employee at a U.S. bank's international department responsible for asset planning has a salary at about that level. Assistant Secretary Generals of the U.N., of which there are 17, have adjusted salaries of \$80,705; Under Secretary Generals, of which there are 17, earn \$72,482.

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PRINCIPAL OFFICIALS RESPONSIBLE
FOR THE ADMINISTRATION OF
U.S. PARTICIPATION IN THE
INTERNATIONAL ORGANIZATIONS

	<u>Appointed or commissioned</u>
SECRETARY OF STATE: Henry Kissinger	Sept. 1973
ASSISTANT SECRETARY OF STATE FOR INTERNATIONAL ORGANIZATION AFFAIRS: William B. Buffum	Feb. 1974
U.S. REPRESENTATIVE TO THE UNITED NATIONS: Daniel Patrick Moynihan John Scali	June 1975 Feb. 1973
SECRETARY OF THE TREASURY: William E. Simon	May 1974
ASSISTANT SECRETARY OF THE TREASURY FOR INTERNATIONAL AFFAIRS: Charles A. Cooper	Aug. 1974
U.S. REPRESENTATIVE TO THE ASIAN DEVELOPMENT BANK'S BOARD OF DIRECTORS: P. Rex Beach	July 1973
U.S. REPRESENTATIVE TO THE WORLD BANK GROUP'S BOARD OF EXECUTIVE DIRECTORS: Charles A. Cooper Charles O. Sethness	July 1975 July 1973
U.S. REPRESENTATIVE TO THE INTER-AMERICAN DEVELOPMENT BANK'S BOARD OF EXECUTIVE DIRECTORS: John M. Porges	May 1973