

**UNITED STATES OF AMERICA, FRANCE,
FEDERAL REPUBLIC OF GERMANY, JAPAN
and
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND**

Agreement concerning a study of compensation systems for the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD):

- (a) Memorandum of understanding concerning the sponsoring of the study (with terms of reference for the study). Signed on 15 December 1977**
- (b) Agreement between the United States of America and the United Kingdom of Great Britain and Northern Ireland concerning the sharing of the cost of the study. Signed on 15 December 1977**
- (c) Agreement between the United States of America and the United Kingdom of Great Britain and Northern Ireland, and France concerning the participation of France in the cost of the study. Signed on 15 December 1977**
- (d) Agreement between the United States of America and the United Kingdom of Great Britain and Northern Ireland, and Japan concerning the participation of Japan in the cost of the study. Signed on 15 December 1977**

No. 19226
(continued)

- (e) Agreement between the United States of America and the United Kingdom of Great Britain and Northern Ireland, and the Federal Republic of Germany concerning the participation of the Federal Republic of Germany in the cost of the study. Signed on 15 December 1977**

Authentic text: English.

Registered by the United States of America on 7 November 1980.

MEMORANDUM OF UNDERSTANDING¹

1. It is agreed that the Governments of the Republic of France, the Federal Republic of Germany, Japan, the United Kingdom, and the United States will sponsor an independent study of compensation principles and structure for the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) in accordance with the attached terms for such study.

2. Phase one of the study shall be completed by January 5, 1978, and shall be implemented under the guidance of a Steering Committee composed of Executive Directors of the IMF and IBRD of the five sponsoring governments.

3. The costs of phase one of such study shall not exceed \$145,000 and shall be shared equally among the five sponsoring governments in a manner to be arranged among them.

4. The signatories agree that upon termination of phase one, a decision shall be made whether to conduct a follow-up study to be termed "phase two" of the study.

Republic of France:

J. H. WAHL

Federal Republic of Germany:

E. PIESKE

Japan:

MASANAO MATSUNAGA

United Kingdom:

WILLIAM S. RYRIE

United States of America:

C. FRED BERGSTEN

TERMS OF REFERENCE FOR STUDY OF COMPENSATION PRINCIPLES AND STRUCTURE FOR THE IMF AND IBRD

Objective

1. To obtain a fresh, independent, expert and businesslike opinion on how the compensation systems of the International Monetary Fund (IMF) and World Bank (IBRD) should be structured, enabling them to recruit and retain adequate and highly qualified personnel, to fulfill their missions in the most efficient and economical manner.

Assumptions and Methods

The consultants will work under the guidance of a Steering Committee, composed of the Executive Directors at the World Bank and the International Monetary Fund of the five sponsoring governments (France, Germany, Japan, United Kingdom, and the United States).

¹ Came into force on 15 December 1977 by signature. Upon signature of the Memorandum the Government of the Federal Republic of Germany made a declaration to the effect that the Agreement shall also apply to *Land Berlin* provided that the Government of the Federal Republic of Germany had not made a contrary declaration within three months.

2. The IMF and IBRD were created in 1945. The principles and structure of their compensation systems now need to be thoroughly reexamined.
 3. A new system should be designed to assure that the two institutions are able to recruit and retain personnel on as wide a geographical basis as possible, at the lowest possible cost, subject to the paramount importance of securing the highest standards of efficiency and of technical competence.
 4. For purposes of this study it should be assumed that the present compensation systems of other international organizations should not be used as a standard of comparison, since to do so would make the whole process circular.
 5. The study should differentiate between the particular professional skills required by the institutions, and the compensation needed to obtain each.
 6. A separate analysis should be made to determine the compensation system needed to obtain non-professional staff, on a basis that would differentiate the market for the various skills involved.
 7. The consultants should consider how compensation should be divided between salary and fringe benefits.
 8. The objective is the development of an optimum compensation system for the IMF/IBRD; none of the existing practices should be taken for granted. Comments would be expected on problems that may arise in moving from the present system to any of the practices recommended, including problems which may arise because of the existing practices followed by other international organizations, while maintaining the effective operations of the two institutions.
 9. The consultants would have access to the extensive data already prepared by the IMF/IBRD administrative departments.
 10. A summary report and recommendations will be submitted to the Steering Committee on or around December 12, 1977. The consultants will meet with the Steering Committee at that time, and the Committee will then decide whether to require the preparation of a comprehensive written report, to be submitted by January 5, 1978, or to sponsor additional work in the preparation of a comprehensive report, to be submitted by January 31, 1978.
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AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND THE UNITED STATES TREASURY, FOR THE ACCOUNT OF THE EXCHANGE STABILIZATION FUND

1. The Government of the United Kingdom and the United States Treasury, for the account of the Exchange Stabilization Fund, agree to contract for an independent study of the compensation principles and structure of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) in accordance with the attached Memorandum of Understanding and Terms of Reference.

2. For this purpose, the Government of the United Kingdom will enter into a contract with a consulting firm, headquartered in the United Kingdom and acceptable to the Steering Committee; and, the United States Treasury Exchange Stabilization Fund will enter into a contract with a consulting firm headquartered in the United States and acceptable to the Steering Committee. The two contracting firms will provide jointly a completed study no later than January 5, 1978, at a cost not to exceed a total amount of \$145,000. Of this amount, no more than \$72,500 shall be paid by the United States Treasury Exchange Stabilization Fund to the firm headquartered in the United States, and no more than \$72,500 shall be paid by the Government of the United Kingdom to the firm headquartered in the United Kingdom.

3. Upon delivery of a report to the Steering Committee in Washington, D.C., and upon the Committee's determination that the study called for in the Terms of Reference has been completed as agreed, payment shall be made by the United States Treasury Exchange Stabilization Fund to the United Kingdom in an agreed amount, not to exceed \$14,500, and payment shall be made by the United Kingdom to the United States Treasury Exchange Stabilization Fund in an amount not to exceed \$14,500. To the extent these amounts due and payable by the United States Treasury Exchange Stabilization Fund and by the Government of the United Kingdom are offsetting one as against the other, no transfer of funds is required.

Government of the United Kingdom:
WILLIAM S. RYRIE

United States Treasury:
C. FRED BERGSTEN

¹ Came into force on 15 December 1977 by signature.

AGREEMENT¹ OF THE GOVERNMENT OF THE REPUBLIC OF FRANCE,
AND THE GOVERNMENT OF THE UNITED KINGDOM AND THE
UNITED STATES TREASURY, FOR THE ACCOUNT OF THE EX-
CHANGE STABILIZATION FUND

1. For the purposes of obtaining an independent study of the compensation principles and structure for the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) in accordance with the attached Memorandum of Understanding and Terms of Reference, the United States Treasury Exchange Stabilization Fund shall enter into a contract with a consulting firm headquartered in the United States and acceptable to the Steering Committee, and the Government of the United Kingdom shall enter into a contract with a consulting firm headquartered in the United Kingdom and acceptable to the Steering Committee.

2. The total price of such study to the Government of the Republic of France shall not exceed \$29,000, of which one half shall be paid to the United Kingdom and one half shall be paid to the administrative expenses account of the United States Treasury Exchange Stabilization Fund.

3. A report shall be delivered by January 5, 1978, in Washington, D.C., to the Steering Committee which shall determine that the study called for in the Terms of Reference has been completed as agreed.

4. Upon such determination, the Government of the Republic of France will make the payment referred to in paragraph 2 above to the United States Treasury and the Government of the United Kingdom. The amount due the United States Treasury will be paid in U.S. dollars by crediting the administrative expenses account of the U.S. Treasury Exchange Stabilization Fund in an agreed dollar amount, subject to the provisions of paragraph 2 above. The amount due to the Government of the United Kingdom will be paid, in sterling, in the agreed dollar amount expressed in sterling at the middle market exchange rate at the close of business on the day preceding 5 January 1978, to H.M. Paymaster General's account at the Bank of England for the credit of Treasury Votes Cash Account.

Republic of France:

J. H. WAHL

Government of the United Kingdom:

WILLIAM S. RYRIE

United States Treasury:

C. FRED BERGSTEN

¹ Came into force on 15 December 1977 by signature.

ARRANGEMENT¹ CONCERNING THE STUDY OF COMPENSATION PRINCIPLES AND STRUCTURE FOR THE IMF AND IBRD

1. For the purposes of obtaining an independent study of the compensation principles and structure for the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) in accordance with the attached Memorandum of Understanding and Terms of Reference, the United States Treasury Exchange Stabilization Fund shall enter into a contract with a consulting firm headquartered in the United States and acceptable to the Steering Committee, and the Government of the United Kingdom shall enter into a contract with a consulting firm headquartered in the United Kingdom and acceptable to the Steering Committee.

2. The total price of such study to the Japanese Authorities (the Ministry of Finance, the Bank of Japan) shall not exceed \$29,000, of which one half shall be paid to the United Kingdom and one half shall be paid to the administrative expenses account of the United States Treasury Exchange Stabilization Fund. These amounts shall be paid in equal proportions by the Ministry of Finance and the Bank of Japan.

3. A report shall be delivered by January 5, 1978, in Washington, D.C., to the Steering Committee which shall determine that the study called for in the Terms of Reference has been completed as agreed.

4. Upon such determination, the Japanese Authorities will make the payment referred to in paragraph 2 above to the United States Treasury and the Government of the United Kingdom. The amount due the United States Treasury will be paid, subject to the provisions of paragraph 2 above, in U.S. dollars, by banker's transfer in an agreed dollar amount to the Department of Treasury, and sent to the attention of OS Budget, Room 640 TE, 15th and Pennsylvania Avenue, N.W., Washington, D.C., 20220. The amount due the Government of the United Kingdom will be paid in U.S. dollars by banker's transfer for the credit of the British Embassy Government Account Number 0107005760, Riggs National Bank, 1503 Pennsylvania Avenue, N.W., Washington, D.C. 20005.

Minister of Finance of Japan:

MASANAO MATSUNAGA

Governor, the Bank of Japan:

SHIJURO OGATA

Government of the United Kingdom:

WILLIAM S. RYRIE

United States Treasury:

C. FRED BERGSTEN

¹ Came into force on 15 December 1977 by signature.

AGREEMENT¹ OF THE MINISTER OF FINANCE OF THE FEDERAL REPUBLIC OF GERMANY AND THE GOVERNMENT OF THE UNITED KINGDOM AND THE UNITED STATES TREASURY, FOR THE ACCOUNT OF THE EXCHANGE STABILIZATION FUND

1. For the purposes of obtaining an independent study of the compensation principles and structure for the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) in accordance with the attached Memorandum of Understanding and Terms of Reference, the United States Treasury Exchange Stabilization Fund shall enter into a contract with a consulting firm headquartered in the United States and acceptable to the Steering Committee, and the Government of the United Kingdom shall enter into a contract with a consulting firm headquartered in the United Kingdom and acceptable to the Steering Committee.

2. The total price of such study to the authorities of the Federal Republic of Germany, shall not exceed \$29,000, of which one half shall be paid to the United Kingdom and one half shall be paid to the administrative expenses account of the United States Treasury Exchange Stabilization Fund. These amounts shall be paid in equal portions by the Minister of Finance of the Federal Republic of Germany and the Deutsche Bundesbank.

3. A report shall be delivered by January 5, 1978, in Washington, D.C., to the Steering Committee which shall determine that the study called for in the Terms of Reference has been completed as agreed.

4. Upon such determination, the authorities of the Federal Republic of Germany will make the payment referred to in paragraph 2 above to the United States Treasury and the Government of the United Kingdom. The amount due the United States Treasury will be paid in U.S. dollars by crediting the administrative expenses account of the U.S. Treasury Exchange Stabilization Fund in an agreed dollar amount, subject to the provisions of paragraph 2 above. The amount due to the Government of the United Kingdom will be paid, in sterling, in the agreed dollar amount expressed in sterling at the middle market exchange rate at the close of business on the day preceding 5 January 1978, to H.M. Paymaster General's account at the Bank of England for the credit of Treasury Votes Cash Account.

Minister of Finance of the Federal Republic
of Germany/Deutsche Bundesbank:
E. PIESKE

Government of the United Kingdom:
WILLIAM S. RYRIE

United States Treasury:
C. FRED BERGSTEN

¹ Came into force on 15 December 1977 by signature.