

## Annex V: 2023 annual review of salary scales

### Introduction

1. This review of GCF Salary Scales is called for in decision B.13/26(d) which states that *“future revisions will be based on an annual review of salary scales by the Secretariat that considers elements such as inflation and practices in relevant institutions, including in the Republic of Korea and the region, and subject to Board approval.”* In that regard, this year’s review also supports the mandate in decision B.34/20 for the Board to discuss at B.37 a further adjustment to GCF salary scales in the context of its consideration of the 2024 administrative budget. Finally, and consistent with decision B.34/21, this review forms part of a step wise approach which will include consideration in 2024 of a GCF wide compensation philosophy, a new GCF salary structure, and a review of GCF’s Administrative Guidelines for Human Resources.
2. This year’s salary scale review considers the primary Board mandates related to GCF salaries, the competitiveness of GCF’s salary scale with those of its proxy comparators, and the current market dynamics that underly the salary scale adjustment proposed in Annex I of the 2024 work programme and budget.

### Board Mandates related to Salaries

3. Section B.1.2.2 of the AGHR states that *“staff salaries, allowances and benefits will be maintained at competitive levels based on the salary scales of the Asian Development Bank (ADB), adjusted to the cost and conditions of living at the Fund’s headquarters, and in duty stations outside the Republic of Korea, when applicable”*. In addition, Section E.I. Appendix 2 of the AGHR contains an explanatory footnote clarifying that *“as ADB currently does not have a published local salary scale for the Republic of Korea, it is proposed to use as a proxy for such staff the World Bank’s salary scale that is based on very similar principles as those applied by the ADB.”*

### GCF Positioning Relative to its Proxy Comparators

4. Recalling the mandates above, the Board at B.34 reviewed the 2022 salary scales of ADB and the World Bank Korea and considered a presentation on market hiring conditions. Those reviews highlighted the fact that ADB and the World Bank Korea increased their salary scales by 2% on average per year from 2016 to 2022 to account for market changes, as shown on Table 13.
5. At B.34, the Board considered the salary scale gap in 2022, as well as current dynamics in the hiring market, and the AGHR mandates. On the basis of these considerations, the Board took decision B.34/20 which allocated a budget of USD 1,907,903 for the implementation of an adjustment to GCF’s 2023 salary scales. The Board also agreed to discuss an adjustment to GCF salary scales as part of the 2024 administrative budget. Subsequent to the Board’s decision at B.34, the ADB and WB Korea took decisions to further increase their 2023 salary scales by an average of 4% (Table 13). As a consequence, and as shown in Table 14 below, GCF’s salary scales currently lag those of its comparators by an average of 7%. Despite past salary increase practices, 84% of GCF staff remain below the midpoint<sup>1</sup>, largely due to historical practice of using the minimum as the starting point for new hires, as well as the number of new hires in the past one to two years.

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<sup>1</sup> The midpoint represents the value of the job in the market.

**Table 13: Annual salary scale movement of ADB and WB Korea**

<b>Asian Development Bank</b>								
<b>Level</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>Average Annual Change (2016 - 2023)</b>	<b>2022-2023</b>
IS1	3%	4%	2%	2%	-6%	3%	2%	4%
IS2	2%	3%	2%	2%	-6%	3%	2%	4%
IS3	3%	3%	2%	2%	-3%	3%	2%	4%
IS4	3%	3%	2%	2%	-1%	3%	2%	4%
IS5	3%	2%	2%	2%	-1%	3%	2%	4%
IS6	3%	2%	2%	2%	-1%	3%	2%	4%
IS7	3%	2%	2%	2%	0%	3%	2%	4%
IS8	2%	2%	2%	2%	0%	3%	2%	4%
IS9	2%	2%	2%	2%	0%	3%	2%	4%

<b>World Bank Korea</b>								
<b>Level</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>Average Annual Change (2016 - 2023)</b>	<b>2022-2023</b>
ASA	0%	2%	0%	0%	0%	5%	2%	4%
ASB	8%	2%	0%	0%	0%	2%	2%	5%
ASC	7%	2%	0%	0%	0%	0%	2%	5%
ASD	1%	2%	0%	0%	0%	8%	2%	4%

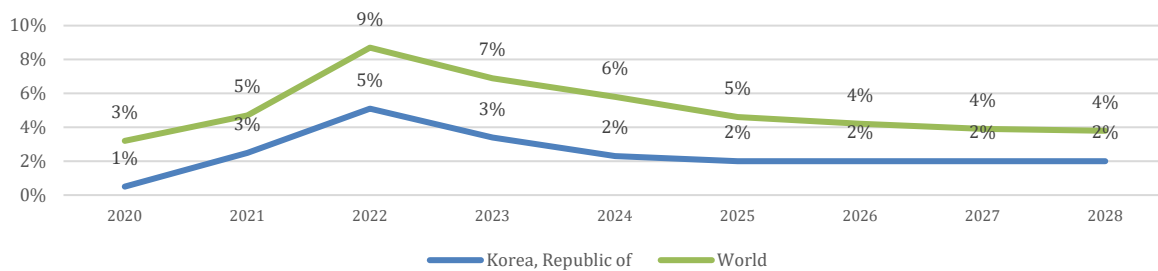
**Table 14: Comparison of GCF salaries against ADB and WB Korea salary scales for 2022 and 2023**

<b>Level<sup>2</sup></b>	<b>Average Actual Comparatio</b>	<b>Staff</b>	<b>2022 GCF Gap to 2022 ADB/WB levels (%)</b>	<b>2023 GCF Gap to 2023 ADB/WB levels (%)</b>
IS1	95%	13	-2%	-6%
IS2	92%	70	-2%	-5%
IS3	94%	36	-2%	-6%
IS4	91%	64	-3%	-6%
IS5	93%	58	-3%	-6%
IS6	91%	13	-3%	-6%
IS7	88%	14	-3%	-6%
IS8	95%	6	-3%	-7%
IS9	96%	2	-3%	-7%
ASB	101%	6	-3%	-8%
ASC	92%	14	-2%	-7%
ASD	92%	21	-3%	-7%
<b>Total</b>	<b>93%</b>	<b>317</b>	<b>-3%</b>	<b>-7%</b>

<sup>2</sup> Levels are grouped together to avoid extrapolation of individual salaries as some levels have minimal incumbents

6. From a general economic concept, inflation, which accounts for all goods and services that may partially include elements in a CPI basket, allows organisations to consider wider economic factors when making compensation decisions. Furthermore, inflation data allows a historical perspective on how the value of money changes over time which lend to making sustainable and strategic compensation decisions. Year to date, inflation in the Republic of Korea versus global inflation is at 3.4 per cent and 6.9 per cent, respectively, compared to 5.1 per cent and 8.7 per cent from the previous year (Figure 6). As seen in Table 15, while salaries appear higher in nominal terms, inflation has eroded the purchasing power of salaries and as a result can purchase less in real terms due to effects of inflation. While inflation provides useful metrics, strategic compensation should account for a wider array of external market factors as well as the internal needs of the GCF to attract and retain top talent.

**Figure 6: Inflation rates as annual percentage change from 2020-2028**



**Table 15: Nominal versus real value of actual salaries**

Average Actual Salaries				
Currency	Levels	Nominal	Real	Difference
USD	IS7-IS9	222,605	207,245	(15,360)
USD	IS4-IS6	146,321	136,224	(10,096)
USD	IS1-IS3	101,546	94,540	(7,007)
KRW	ASB-ASD	63,813,390	61,643,735	(2,169,655)

### Local, Regional and Global Market Dynamics Relating to Salaries

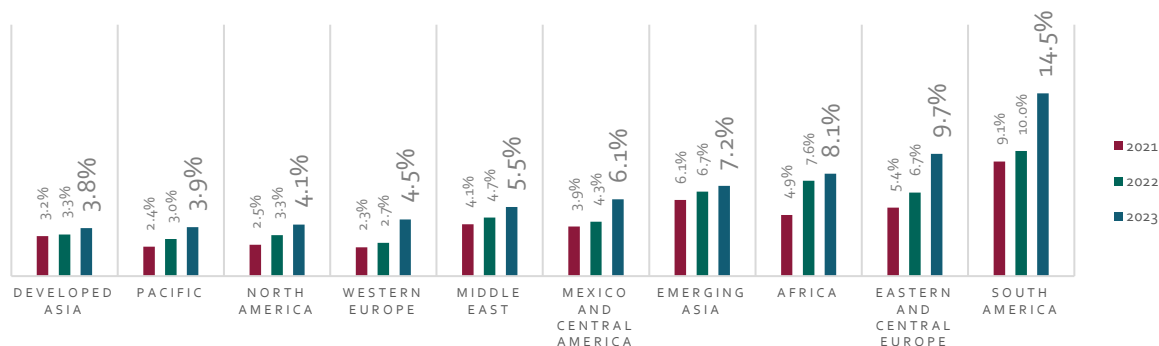
7. While the salary scale adjustments of comparators take into account broad market dynamics relating to salaries, it is important that those dynamics be understood. Further to decision B.13/26, this report also provides context to correlate global salary increase budgets that considers cost of living increases, inflation trends and labor market challenges felt globally and in central locations, including the Philippines and the Republic of Korea – both as headquarter locations of the ADB, WB Korea and the GCF.

8. Korn Ferry, a global management consulting firm and WorldatWork, a global association of HR professionals focusing on total rewards, regularly conduct surveys on global labour trends and planned salary increase budgets to help companies and organisations in forward planning. Korn Ferry projected an average salary increase<sup>1</sup> of 5.9% in 2023 using 13 countries across Asia, collectively grouped under Developed and Emerging Asia (Figure 7). A further deep dive shows planned salary increases of 5.5% and 4.7% for the Philippines and the Republic of Korea,

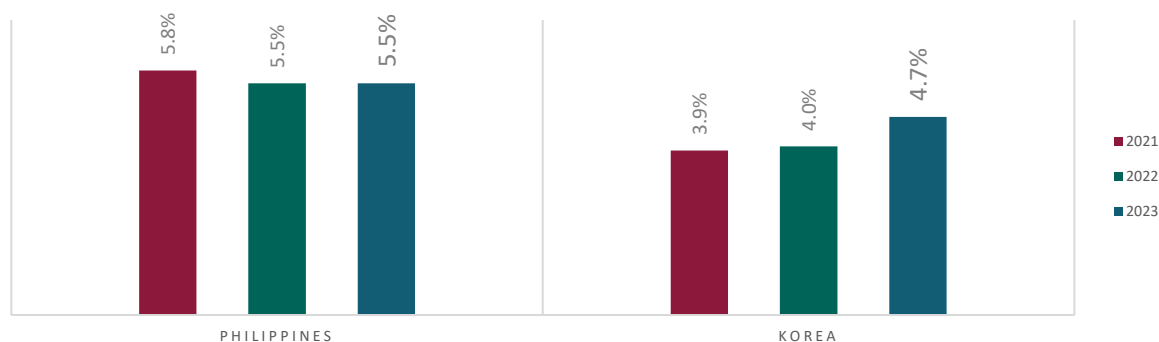
<sup>1</sup> Korn Ferry, Global Total Rewards Pulse Survey

respectively, in 2023 (Figure 8). On the other hand, WorldatWork, in its July 2023 report<sup>2</sup>, reported employers budgeting 4.1% for salary increases in 2024.

**Figure 7: Salary increase planning for 2021-2023 – Regions**



**Figure 8: Salary increase planning for 2021-2023 – Philippines and Korea, Rep.**



9. Additional analysis of cost of living indicators also reveals significant differences between the Philippines (where ADB holds its headquarters) and the Republic of Korea, with the latter showing 107% higher on cost of living and 79% higher on rent indices for 2023 (Table 16).

**Table 16: Cost of living and rent indices between the Philippines and the Republic of Korea, 2023**

Country	Cost of Living Index	Rent Index	Cost of Living Plus Rent Index	Groceries Index	Restaurant Price Index
Korea, Rep.	70.4	17.5	45	87.5	37.6
Philippines	34	9.8	22.4	33.4	20.9

<sup>2</sup> WorldatWork, Salary Budget Survey 2023-2024

### **Persistent Challenges on Talent Attraction**

10. The GCF continuously faces challenges in attracting and retaining top talent due to various factors such as high demand for specialized skills where the exigency for climate science and finance skills is globally high across various organisations, including ADB, making competition for talent more intense. The GCF is still a relatively small organization in relation to comparators and this further necessitates creating highly competitive compensation packages to attract the best talent in the market. While there are clear benefits of living in Korea, such as its safety and cultural richness, the GCF's headquarter location presents unavoidable challenges for certain members of staff including their dependents with regards to spousal/partner employment and availability of seats in International Schools in Songdo or in Seoul which may be deterrents for potential candidates.

### **Recommendation for consideration of the Board**

11. In order to address global economic factors and local market challenges in general, while simultaneously maintaining competitive levels with ADB and WB Korea in particular, the GCF proposes two scenarios for the Board's consideration: grant an intermediate adjustment by allowing the GCF to implement a 4.5% adjustment to the salary scale that recognizes global trends, inflation and market conditions or to implement an adjustment of 3% to the salary scale in order to maintain competitive levels with the 2022 salary scales of comparator organisations. The additional budget for these scenarios is USD 1,741,000 and USD 1,161,000, respectively.

### **Conclusion**

12. This review provides global and regional salary trends and the salary scales of GCF's proxy comparators. While disparities between GCF salary scales and those of ADB and WB Korea cannot be disregarded, maintaining competitiveness in a tough global market will remain essential to enable the Fund to attract, nurture, develop and retain the diverse world class talent needed to support implementation of GCF's Updated Strategic Plan and enable it to reach its ambitious goals in climate finance.

## Appendix I: Salary<sup>1</sup> scales of GCF in 2023 versus ADB/WB Korea salary scales in 2022

The table below shows a comparison between current GCF salary scales and those of comparators with an average gap of 3%.

Level	GCF 2023			ADB/WB Korea 2022			Variation
	Min	Mid	Max	Min	Mid	Max	
IS1	83,200	91,520	99,840	85,000	93,500	102,000	2.16%
IS2	91,970	105,800	119,530	93,800	107,900	121,900	1.98%
IS3	104,000	122,220	140,370	106,700	125,400	144,000	2.60%
IS4	123,770	145,450	167,090	127,700	150,100	172,400	3.20%
IS5	138,750	166,480	194,210	143,100	171,700	200,300	3.14%
IS6	163,790	196,500	229,280	168,800	202,500	236,300	3.05%
IS7	189,390	227,290	265,120	195,300	234,400	273,400	3.13%
IS8	220,870	265,060	309,210	227,800	273,400	318,900	3.15%
IS9	252,390	302,870	353,380	260,400	312,500	364,600	3.18%
ASA	32,440,000	46,340,000	60,240,000	33,100,000	47,300,000	61,500,000	2.07%
ASB	38,680,000	55,210,000	71,740,000	40,000,000	57,100,000	74,200,000	3.42%
ASC	43,830,000	62,620,000	81,410,000	45,000,000	64,300,000	83,600,000	2.68%
ASD	53,220,000	76,070,000	98,920,000	54,900,000	78,500,000	102,100,000	3.19%

<sup>1</sup> IS salaries in USD and AS salaries in KRW. IS10 is excluded from all salary scale tables understanding that the salary of the Executive Director shall be within the range of IS10, as per Section E.I. Appendix 1 footnote in the AGHR.

## Appendix II: Salary scales of GCF in 2023 versus ADB/WB Korea salary scales in 2023

The table below shows a comparison between current GCF salary scales and those of the comparators with an average gap of 7%.

Level	GCF 2023			ADB/WB 2023			Variation
	Min	Mid	Max	Min	Mid	Max	
IS1	83,200	91,520	99,840	88,500	97,400	106,200	6.42%
IS2	91,970	105,800	119,530	97,700	112,400	127,000	6.24%
IS3	104,000	122,220	140,370	111,200	130,700	150,100	6.94%
IS4	123,770	145,450	167,090	133,100	156,400	179,700	7.53%
IS5	138,750	166,480	194,210	149,100	178,900	208,700	7.46%
IS6	163,790	196,500	229,280	175,800	211,000	246,100	7.38%
IS7	189,390	227,290	265,120	203,500	244,200	284,900	7.44%
IS8	220,870	265,060	309,210	237,400	284,900	332,400	7.49%
IS9	252,390	302,870	353,380	271,300	325,600	379,800	7.50%
ASA	32,440,000	46,340,000	60,240,000	34,600,000	49,400,000	64,200,000	6.60%
ASB	38,680,000	55,210,000	71,740,000	41,900,000	59,800,000	77,700,000	8.31%
ASC	43,830,000	62,620,000	81,410,000	47,200,000	67,400,000	87,600,000	7.63%
ASD	53,220,000	76,070,000	98,920,000	57,400,000	82,000,000	106,600,000	7.80%

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## Appendix III: Proposed GCF IS and AS Salary Scales Adjusted by 4.5%

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<b>Level</b>	<b>Min</b>	<b>Mid</b>	<b>Max</b>
IS1	87,000	95,700	104,400
IS2	96,200	110,600	125,000
IS3	108,700	127,800	146,700
IS4	129,400	152,000	174,700
IS5	145,000	174,000	203,000
IS6	171,200	205,400	239,600
IS7	198,000	237,600	277,100
IS8	230,900	277,000	323,200
IS9	263,800	316,500	369,300
ASA	33,900,000	48,426,000	62,951,000
ASB	40,421,000	57,695,000	74,969,000
ASC	45,803,000	65,438,000	85,074,000
ASD	55,615,000	79,494,000	103,372,000

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## Appendix IV: Proposed GCF IS and AS Salary Scales Adjusted by 3%

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<b>Level</b>	<b>Min</b>	<b>Mid</b>	<b>Max</b>
IS1	85,700	94,300	102,900
IS2	94,800	109,000	123,200
IS3	107,200	125,900	144,600
IS4	127,500	149,900	172,200
IS5	143,000	171,500	200,100
IS6	168,800	202,400	236,200
IS7	195,100	234,200	273,100
IS8	227,500	273,100	318,500
IS9	260,000	312,000	364,000
ASA	33,414,000	47,731,000	62,048,000
ASB	39,841,000	56,867,000	73,893,000
ASC	45,145,000	64,499,000	83,853,000
ASD	54,817,000	78,353,000	101,888,000

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