



**GREEN
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Methodology for salary scale review and adjustment

Summary

This document presents the proposed methodology for the GCF salary scale review framework. The objective is to establish a transparent, evidence-based and predictable approach for assessing movements in market pay and determining whether adjustments to the salary scale are warranted.

The methodology supports the effective management of GCF's compensation framework by ensuring continued alignment with the Compensation Philosophy, maintaining competitiveness in relevant labour markets.

The proposed framework supports the structured review cycle by outlining the methodology that will be applied, including clearly defined data inputs, analytical principles and governance processes. It is designed to provide consistency, transparency and predictability.

I. Introduction

1. This document responds to paragraph (i) of decision B.37/08, which requested the Secretariat to develop a process for the adjustment of salary scales that provides information to the Board prior to the last meeting of each year.
2. Since the adoption of the Compensation Philosophy at the thirty-eighth Board meeting, the Secretariat has undertaken periodic assessments of salary competitiveness against the methodology adopted by the Board in decision B.13/26. That decision required the Green Climate Fund (GCF) to assess the alignment of GCF salaries with the Asian Development Bank salary scales for international staff and the World Bank Group Korea office for administrative staff, factoring in elements such as inflation. However, with the adoption of a new job architecture and a single salary structure through the introduction of the Staff Regulations in decision B.42/15, a new articulated methodology for salary scale review is required¹. In addition, how such reviews are to be conducted and how outcomes will be determined is further outlined.
3. The proposed methodology establishes a structured framework for salary scale review, ensuring that adjustments are anchored in objective data and aligned with market conditions.

II. Proposed methodology for salary scale review

2.1 Objectives and principles

4. The salary scale review methodology is designed to ensure that salary scale adjustments, where warranted, are informed by objective market evidence, applied consistently, and governed through a stable, foreseeable and transparent process that is capable of being clearly understood. It provides a structured framework for assessing market pay movements and determining whether to propose salary scale adjustments, while maintaining financial sustainability and staying aligned with the GCF Compensation Philosophy.
5. The salary scale review methodology is designed to:
 - (a) Align with the GCF Compensation Philosophy;
 - (b) Support competitiveness in relevant labour markets;
 - (c) Ensure consistency across grades;
 - (d) Provide transparency and predictability in the review and adjustment of the salary scale; and
6. Support sound financial management, including budgetary considerations.
7. The proposed methodology is grounded in the principle that salary movements should be informed primarily by market pay trends and cost-of-labour indicators, rather than by consumer price inflation alone. While CPI and inflation measure changes in consumer prices – driven by macroeconomic factors such as energy, food prices and exchange-rate movements – they do not directly dictate supply and demand changes in the labour market. Market pay movement and cost-of-labour indicators are more precise metrics for reflecting wage pressures and the broader competitiveness of GCF's compensation framework.

¹ Unlike the former salary structure set out in the Administrative Guidelines on Human Resources, the new single salary structure, adopted by the Board in decision B.42/15, does not provide differentiated structures for administrative and international staff and therefore does not align, nor was intended to align, with the Asian Development Bank and World Bank Korea office salary scales.

8. Reactions to inflation are part of inputs in broader compensation surveys. As such, utilizing CPI as a separate metric risks double-counting or overstating necessary salary scale adjustments.
9. More importantly, the distinction between cost of labour indicators and inflation relates not only on what they measure, but the nature of the signal they provide. Inflation reflects general price movements in the economy which may be influenced by external or temporary forces such as oil, energy or food price volatility. These forces do not necessarily translate into fixed wage adjustments.
10. In contrast, cost-of-labour indicators reflect the direction and underlying pressures from the labour market, giving a signal on how employers respond to sustained changes in demand for skills and competition for talent. As such, cost-of-labour indicators provide a more reliable basis for assessing the need for salary movements.
11. The methodology recognizes that GCF competes for specialized expertise in the labour market. A transparent, foreseeable and evidence-based approach to salary scale review is therefore important to maintain an attractive and credible reward package.
12. Nevertheless, any review does not automatically result in adjustments to the salary scale or to individual staff salaries.
13. In developing the methodology, the Secretariat conducted two rounds of information and feedback sessions with staff, and also engaged with the Board, including through the Budget Committee.

2.2 Review cycles

14. The GCF salary scale will be reviewed on an annual basis.
15. The annual review will focus on the salary scale and assess whether adjustment is warranted in a given year, using market pay movements and cost-of-labour indicators as reference anchors.
16. A full review of the compensation framework, including a review of total remuneration, market positioning, comparator groups, salary range design, organisational and labour market developments, as well as possible amendments to the Staff Regulations as appropriate, will be conducted every 4 years in consultation with the Board.

2.3 Data sources and analytical approach

17. The review of the salary scale shall be based on a combination of relevant market and organisational indicators where primary inputs will include:
 - (a) Market pay data from compensation firms and international financial institutions, which include actual and projected salary increases and trends; and
 - (b) Cost of labour indices.
18. These inputs will be considered together to assess underlying labour market conditions, market pay movement, and competitive pressures, rather than relying on a single indicator in isolation.
19. The methodology requires that both market pay movement and cost-of-labour indices be considered in determining any salary scale adjustment. These inputs shall be combined using an equal-weight approach, with the resulting adjustment index calculated as the average in each

review cycle. The resulting index shall form the basis of the Secretariat's recommendation to the Board.

2.4 Determination of salary scale adjustments

20. Where the analysis indicates that a salary scale adjustment is warranted, the Secretariat will propose the level of adjustment to the Board.

21. To ensure consistency, a single index shall be applied across the salary scale. This preserves uniform midpoint progression across all grades in the structure and avoids differentiated grade-by-grade adjustments. In practical terms, all salary scale midpoints move by the same percentage, rather than adjusting some grades more – or less – than others, thereby maintaining relative differences between grades to preserve the overall integrity of the salary scale over time.

2.5 Governance and decision-making

22. The Secretariat, through the Department of People and Culture, will monitor relevant market and organisational indicators and conduct the technical analysis required under this methodology.

23. Where the outcome of the review leads to a proposed salary scale adjustment, the Secretariat will present the proposal for Board consideration, in accordance with the Staff Regulations, and applicable Board decisions.

III. Implementation arrangements

24. Where a salary scale adjustment is approved, corresponding individual salary actions will be implemented in accordance with the applicable framework.

25. The Secretariat will report, as appropriate, on the conduct and outcomes of salary scale reviews, including the data sources and any proposed salary scale adjustment or policy amendment.

IV. Budgetary implications

26. The salary scale review methodology itself does not create immediate financial obligations.

27. However, any adjustment to individual salaries resulting from future salary scale adjustments arising from a review may have budgetary implications. Such will be assessed in the context of the administrative budget and submitted through the applicable budget and governance processes.

V. Recommended action by the Board

28. It is recommended that the Board adopt the draft decision contained in annex I, including the methodology for salary scale review contained in annex II.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.45/20 titled “Methodology for salary scale review and adjustment”:

- (a) *Adopts* the Methodology for Salary Scale Review and Adjustment (“methodology”), as contained in annex II of GCF/B.45/20; and
- (b) *Decides* that the methodology shall enter into force from the date of the adoption of this decision by the Board.

Annex II: Methodology for Salary Scale Review and Adjustment

1. This Methodology for Salary Scale Review and Adjustment (“methodology”) outlines the periodic review process for the Green Climate Fund (GCF) salary scale to support continued alignment with the Fund’s Compensation Philosophy and maintain competitiveness in relevant labour markets.
2. The methodology for salary scale review is designed to maintain the relevance and competitiveness of GCF’s compensation, while responding to organizational needs. Salary scale reviews may or may not lead to adjustments to the salary scale, as decided by the Board.

Annual salary scale review

3. **Objective:** The annual salary scale review provides an assessment of market pay movements to determine whether the GCF salary scale remains aligned with prevailing market pay trends and cost-of-labour indices. These indicators are derived from external benchmarks, including data gathered from surveys conducted by compensation firms, IFIs, MDBs and the UN, as well as reliable cost-of-labour data sources.
4. The annual salary scale review is limited in scope to the assessment of salary scale movements and does not include a review of other elements such as allowances, benefits, and market positioning, among others - which will be conducted every 4 years in consultation with the Board.
5. **Scope of the annual review:**
 - (a) **Indexation:** Review the salary scale and any applicable adjustments using an indexation process. Indexation refers to the review and potential adjustment of the salary scale based on actual or projected movements in market pay. Such review of market movement data will include actual salary increases (ASI) and projected salary increase (PSI) data from reputable sources including compensation firms² which provide centralised data sources on market competitiveness and International Financial Institutions that participate in compensation surveys. Where data collection cycles from compensation firms warrant it, an aging factor³ will also be applied. The review will also include cost-of-labour indices from reputable sources, as set out in paragraph 8 below, as may be reported by respective national statistics and labour and employment offices.
 - (b) In no instance will inflation and CPI be used as separate metrics for the salary scale review.
 - (c) The methodology incorporates the use of both market pay movement and cost-of-labour indices to determine any salary scale adjustment. These inputs shall be combined using an equal-weight approach, with the resulting index calculated as the average in each review cycle.
 - (d) The resulting index shall form the basis of the Secretariat’s recommendation to the Board.
 - (e) **Determination:** To ensure consistency, a single index will be applied across the salary scale. This preserves uniform midpoint progression across all grades in the structure, avoids differentiated grade-by-grade adjustments, and is consistent with market practices.

² Compensation firms such as ECA International, Korn Ferry, Mercer, Radford Mclagan or Willis Towers Watson.

³ Aging factor is an annualized percentage factor to adjust historical compensation survey data to reflect what salaries look like in a future point in time, denoted by Aged salary = survey salary x (1 + ((# of months to age / 12) x annual market movement rate)

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- (f) **Review criteria:** The annual review will focus on salary scales based on the existing percentile market positioning, currently at the 50th percentile. Benefits, allowances and incentives will be excluded from the annual salary scale review.
- (g) **Staff Regulations:** Review the Staff Regulations governing the salary scale and propose amendments, as appropriate; and
- (h) **Salary scale adjustment:** Where required, and based on the findings, propose a revision to the salary scale. In deciding whether to accept the proposal, the Board considers budget availability through the multi annual budgeting process.
6. Outcome: The annual review may result in a proposed salary scale adjustment, or no adjustment, depending on the market evidence and cost-of-labour indicators, as set out above, and applicable governance approvals.
7. The annual salary scale review requires credible market pay and cost-of-labour indices for the Republic of Korea, Côte d'Ivoire, Kenya, Panama, Fiji, and Jordan, as well as key global talent markets from which GCF recruits specialized expertise.
8. Where available, cost-of-labour data will be derived from a combination of official applicable national statistical sources, labour and employment offices or relevant authorities that conduct structured employer surveys and internationally recognised datasets⁴ which aggregate and standardise labour market and wage information across countries, ensuring both robustness and comparability.
9. Credible data sources will be used. Once a specific data source is selected for a given country or labour market, they should be used consistently over time to support continuity, comparability, and methodological integrity in the salary scale review process.
10. Review process and governance:
- (a) **Technical analysis:** The Secretariat, through the Department of People and Culture, will monitor relevant market and organizational indicators and conduct the technical analysis required under this methodology;
- (b) **Approval:** Where the analysis leads to a proposed salary scale adjustment, the Secretariat shall prepare the necessary proposal for Board consideration, in accordance with the Staff Regulations, applicable Board decisions and relevant Board procedures;
- (c) **Implementation:** Where approved, salary scale adjustments and corresponding individual salary movements, if any, will be implemented in accordance with the applicable framework; and
- (d) **Monitoring and reporting:** The Secretariat will monitor and report, as appropriate, on the conduct and outcomes of salary scale reviews, and any proposed salary scale adjustment.
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⁴ Datasets such as ILOSTAT, OECD, World Bank and Asian Development Bank data libraries