**Global Green Growth Institute**
The Council
Written Procedure
February 16, 2017

**Decision on Elimination of Tax Reimbursement Benefit**

The Council,

*Recalling* Article 10.7 of the Agreement on the Establishment of the Global Green Growth Institute, providing that the Director-General shall appoint the staff of the Institute in accordance with Staff Regulations approved by the Council;

*Recalling* Article 4 of the Staff Regulations [C/3/DC/3 and C/3/6 Annex 1] approved by the Council at its Third Session on June 8-9, 2013, providing for the salaries and allowances of GGGI staff;

*Recalling* Regulation 4.3 of the Staff Regulations, establishing a tax reimbursement scheme for certain GGGI staff as follows:

> *(a) In the event the salaries and emoluments paid by the GGGI to staff members in the Executive and Professional categories are subject to national income taxation, the Director-General is authorized to refund the amount of those taxes to the staff members concerned, under conditions established by the Director-General to ensure that staff are obligated to minimize their tax liability to the maximum extent allowed under applicable law.*
>
> *(b) In support of their claim for tax refund, eligible staff members shall provide accurate copies of the tax returns they filed with the tax authorities and any additional documentation required by the Director-General.*
>
> *(c) The Director-General is authorized to conclude bilateral agreements with the Members concerned for the reimbursement of such refunds to the GGGI;*

*Recalling* Staff Regulation 13.1 that provides that "[*t*]*he present regulations may be amended by the Council, without prejudice to the acquired rights of staff members*";

*Recalling* Staff Regulation 13.3 that provides as follows:

> *(a) New and/or amended Staff Rules shall be provisional until the requirements of the present regulation have been met. Provisional Staff Rules or amendments do not give rise to acquired rights for staff members.*

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*(b) The Director-General shall report to the Council the full text of provisional new and/or amended Staff Rules. Should the Council find that a provisional rule or amendment is inconsistent with the intent and purpose of the Staff Regulations, it may direct that the rule or amendment be withdrawn or modified.*

*(c) The provisional rules and amendments reported by the Director-General, taking into account such modifications and/or deletions as may be directed by the Council, shall enter into full force and effect no later than thirty days after the end of the Council meeting having considered the provisional rules or amendments, unless the Council decides on a different date*;

*Recalling* the Council Decision on Revised Grade and Salary Scales in the Context of the Grade Realignment Project [C/2016/DC/12] adopted through written procedure on November 17, 2016, approving, among other things, the elimination of the distinction between Professional and General Service categories and a unified grading structure for all staff other than staff in the Executive category;

*Taking into account* that personnel of the Institute assigned to duty stations other than the Headquarters and hired using an individual contractor arrangement through UNOPS are not eligible for tax reimbursement;

*Further taking into account* that the Institute anticipates presenting to the Council for approval during the first half of 2017 comprehensive revisions to the Staff Regulations and the Staff Rules to more fully reflect (a) the Council Decision on Revised Grade and Salary Scales in the Context of the Grade Realignment Project [C/2016/DC/12], (b) the United Nations Office of Project Services (UNOPS) individual contractor arrangement in country offices discussed during the Seventh Session of the Council on July 23-24, 2015 [C/WRP/DC/18] and the Eight Session on November 18-19, 2015 [A/WRP/DC/6-C/WRP/DC/22], and (c) evolving human resource practices of international organizations and lessons learned by the Institute;

*Recognizing* the importance of implementing the proposed change to the tax reimbursement scheme in as timely a fashion as possible to avoid undue continuation of the practice of reimbursement of tax in respect of new contracts of employment and renewals of fixed-term appointments; and

*Considering* the Explanatory Note attached as Annex 1,

1. *Approves* the removal of Regulation 4.3 from the Staff Regulations and the elimination of reimbursement of national income tax paid on GGGI salary and emoluments as a benefit to GGGI staff; and

2. *Takes note* that the Director-General will amend the Staff Rules to eliminate Staff Rule 4.9 and *Agrees* that such amendment shall enter into effect on the date approved by the Director-General.

## Explanatory Note

### *Background*

Pursuant to Staff Regulation 4.3 and Staff Rule 4.9, GGGI reimburses staff members in the Executive and Professional categories for national income taxes paid on their GGGI salary and benefits. This benefit has been in place since 1 April 2013. The Institute proposes to eliminate the tax reimbursement benefit provided by Staff Regulation 4.3 and Staff Rule 4.9. The objective of the proposal to abolish tax reimbursement is two-fold:

(i) In line with (A) the unified grade and salary structure for staff in the Professional and General Services categories and the elimination of distinctions between such staff members approved by the Council on November17, 2016, and (B) the decision to not extend the tax reimbursement benefit to GGGI personnel assigned to duty stations outside of Headquarters (HQ), following implementation of the change in GGGI's recruitment approach to engage personnel in country offices outside of HQ under individual contractor agreements (ICA) issued by the United Nations Office for Project Services (UNOPS) on behalf of the GGGI that was informed to members of the Council at both the Seventh Session and the Eighth Session of the Council, elimination of the tax reimbursement benefit will remove this aspect of unequal treatment of GGGI staff based on duty station (HQ vs. country office) and based on former classification as Professional or General Services category.

(ii) Given the size of GGGI and the fact that its staff members may be nationals of countries that are not Members of GGGI, GGGI is not able to implement the type of tax reimbursement similar to the United Nations.[1] Unlike some other international organizations who provide a tax reimbursement benefit to their staff under a system where their member countries refund to the organization the amount of staff tax reimbursement, GGGI member countries and countries of nationality of GGGI staff members do not refund to GGGI the amount of taxes reimbursed to its staff. Given this, the cost of GGGI's tax reimbursement system is a real cost to the organization. As of 15 December 2016, seventy-one (71) or forty-five per cent (45%) of GGGI staff members are eligible for tax reimbursement. The cost to GGGI of the tax reimbursement benefit to date for the calendar years 2014, 2015 and 2016 is USD 2,455,594, which amount does not include expected claims for the 2016 tax year and claims not yet submitted for tax years 2014 and 2015. This cost has increased each year since the establishment of the benefit (USD 553,928 in 2014, USD 745,960 in 2015 and USD 1,115,706 in 2016). The Institute is aware of the need to ensure that GGGI's total compensation package is competitive in the relevant markets and will periodically review its total package of salary and benefits with a view to appropriate benchmarking for both national positions and international positions, whether in HQ or in country offices (and the Council would be informed and its approval sought for any proposed changes to salary scales and benefits referenced in the Staff Regulations that

[1] Under the UN system, an amount is deducted from all UN staff members' gross pay according to the UN Staff Regulations and Rules, regardless of their nationality, which is called a staff assessment. Staff assessment deductions are credited to the Tax Equalization Fund. Those Member States that do not impose income tax on the UN earnings receive a portion of the Tax Equalization Fund as an offset against their assessments for the UN regular budget, peacekeeping and tribunal budgets. When staff members have to pay national income taxes on their UN earnings, they are reimbursed from the Tax Equalization Fund irrespective of the total amount of staff assessment deducted from their salaries.

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might result from such an exercise). In Management's opinion, elimination of the tax reimbursement benefit from eligible members of the Executive category and former Professional category of staff based in HQ will derive significant cost savings for the organization, while not materially negatively impacting the ability of GGGI to attract staff with the necessary skills.

Subject to the Council's approval by written procedure of this Decision, the Director-General will approve a corresponding amendment to the Staff Rules to eliminate Staff Rule 4.9 to take effect on the date of approval by the Director-General of the amendment.

***Effective Date and Grandfathering***

The elimination of the tax reimbursement benefit will take effect on the date of approval of the corresponding amendment of the Staff Rules by the Director-General and will be applied with immediate effect in respect of new contracts of employment and renewals of existing appointments issued on and after the effective date.

In accordance with Staff Regulation 13.1 and Staff Rule 13.3, as well as the established jurisprudence of international organizations in regards to amendments to conditions of employment, application of the amended Staff Regulations and Staff Rules eliminating the tax reimbursement benefit in relation to existing eligible staff will be grandfathered for the duration of the respective current term of appointment for each such staff, and such existing staff will cease to be eligible to receive the tax reimbursement benefit at the expiry of their current fixed-term appointments. For the avoidance of doubt, such existing eligible staff members will be able to claim tax reimbursement for taxes paid on GGGI salaries and emoluments received up to the date of expiry of their respective fixed-term appointment; provided, that the written claim and all requested supporting documentation is received by GGGI within 365 days of the date of expiration of the fixed-term appointment; and provided further that, under no circumstances, shall any claim for tax reimbursement be accepted that relates to GGGI salary or benefits received after the expiration of the respective fixed-term appointment or any claim for tax reimbursement be accepted more than 365 days after the respective expiration date of the fixed-term appointment.

***Relevant Staff Regulations and Staff Rules***

**Staff Regulations**

*Regulation 4.3*
*Tax Reimbursement*

*(a)* *In the event the salaries and emoluments paid by the GGGI to staff members in the Executive and Professional categories are subject to national income taxation, the Director-General is authorized to refund the amount of those taxes to the staff members concerned, under conditions established by the Director-General to ensure that staff are obligated to minimize their tax liability to the maximum extent allowed under applicable law.*

*(b)* *In support of their claim for tax refund, eligible staff members shall provide accurate copies of the tax returns they filed with the tax authorities and any additional documentation required by the Director-General.*

*(c) The Director-General is authorized to conclude bilateral agreements with the Members concerned for the reimbursement of such refunds to the GGGI*;

*Regulation 13.1*
*Amendments*

*The present regulations may be amended by the Council, without prejudice to the acquired rights of staff members.*

*Regulation 13.3*
*Entry into force of new and amended Staff Rules*

*(a) New and/or amended Staff Rules shall be provisional until the requirements of the present regulation have been met. Provisional Staff Rules or amendments do not give rise to acquired rights for staff members.*

*(b) The Director-General shall report to the Council the full text of provisional new and/or amended Staff Rules. Should the Council find that a provisional rule or amendment is inconsistent with the intent and purpose of the Staff Regulations, it may direct that the rule or amendment be withdrawn or modified.*

*(c) The provisional rules and amendments reported by the Director-General, taking into account such modifications and/or deletions as may be directed by the Council, shall enter into full force and effect no later than thirty days after the end of the Council meeting having considered the provisional rules or amendments, unless the Council decides on a different date*;

**Staff Rules**

*Rule 4.9 Tax Reimbursement*

*4.9.1 Staff members in the Executive and Professional categories who are subject to national income taxation on their GGGI salaries and emoluments are eligible under the terms and conditions of Staff Regulation 4.3 to claim reimbursement for the taxes they have paid on the salaries and emoluments paid by the GGGI. Reimbursement shall be limited to the income tax payment in one country, which is normally the duty station country, and if no tax payment is imposed by the duty station country, the home country of the staff member designated under Rule 5.6.2. Reimbursement does not cover payment by staff members for professional tax services for preparation and filing of tax returns.*

*4.9.2 Pursuant to Staff Regulation 4.3(a), staff members have the obligation to minimize their tax liability to the maximum extent allowed under applicable law.*

*4.9.3 Staff members eligible for tax reimbursement shall comply with the following provisions:*

*a. They shall pay directly to the relevant tax authorities the taxes imposed on their GGGI income, ensuring that they have minimized their tax liability to the maximum extent allowed under the tax laws concerned;*

*b. They shall claim reimbursement of the taxes that they have paid on their GGGI income in accordance with established procedures, including submission of a*

*certification of the accuracy of the copy of their tax return supplied to the GGGI, and any other evidence required by or on behalf of the Director-General.*

*4.9.4 In countries where the GGGI has a duty to withhold and pay taxes on salaries and emoluments of its staff to the national tax authority, it shall do so and reimburse the eligible staff member for the taxes withheld and paid in accordance with established procedures.*

*Rule 13.3 Amendments to the Staff Rules*

*Subject to staff regulation 13.3, the Staff Rules may be amended by the Director-General in a manner consistent with the Staff Regulations*.