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December 2019

# Annual Report of the Human Resources Committee 2018–2019

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Asian Development Bank

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
BPMSD	–	Budget, Personnel, and Management Systems Department
EDGE	–	Economic Dividends for Gender Equality
HRC	–	Human Resources Committee

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## I. INTRODUCTION

1. The Human Resources Committee (HRC) is submitting this annual report to the Board of Directors of the Asian Development Bank (ADB) pursuant to its terms of reference.<sup>1</sup> The report covers the discussions from the six HRC meetings held from 1 July 2018 to 30 June 2019.<sup>2</sup> The chair and members of the HRC during this period were

- (i) Director Zhijun Cheng (Chair),
- (ii) Director Takeshi Kurihara,
- (iii) Director Radha Krishna Panday,
- (iv) Alternate Director Mario Di Maio,
- (v) Director Anthony McDonald, and
- (vi) Alternate Director Enrique M. Galan.

2. During the year, the HRC met with staff from the Budget, Personnel, and Management Systems Department (BPMSD). The HRC invited the ADB ombudsperson and a representative from Staff Council to observe the meetings. Representatives from Korn Ferry, the firm conducting the 5-yearly comprehensive review of ADB's compensation and benefits policies, were invited to present their initial work to the HRC.

3. In July 2018, ADB adopted Strategy 2030 along with a "One ADB" approach.<sup>3</sup> Inevitably, this had a strong impact on the bank's human resources framework, with both the strategy and the approach frequently discussed in relation to the topics under deliberation by the HRC throughout the year.

4. In 2017–2018, several important human resource reforms were approved and implemented. During the committee year, the HRC closely followed the initial implementation, consolidation, and evaluation of these reforms, with BPMSD providing regular updates on their progress. ADB introduced a new retirement plan (the Staff Retirement Plan, 2017) for all new staff joining from 1 October 2017. During the second half of 2018, staff who joined ADB prior to 1 October 2017 also had the option to voluntarily switch to the new plan. BPMSD briefed the HRC on the implementation of the plan.

5. The BPMSD introduced quarterly updates on recent developments in ADB's human resources as a fixed part of the HRC meeting agenda.

## II. WORKFORCE ANALYSIS AND STAFFING

6. The workforce analysis is conducted annually by the Unit for Institutional Coordination (UIC), BPMSD, to estimate, via a systematic approach, ADB's staff requirements. The HRC finds the workforce analysis useful and appreciates the opportunity to examine it during the yearly discussions on the work program and budget framework. This year, the adoption of Strategy 2030 influenced the workforce analysis and hence the work program and budget framework.

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<sup>1</sup> ADB. 2009. *Establishment of the Human Resources Committee*. Manila (Appendix 1).

<sup>2</sup> The Work Program is presented in Appendix 2.

<sup>3</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila. The "One ADB" approach brings together knowledge and expertise across the organization to effectively implement Strategy 2030.

7. ADB is preparing the operational plans- and identifying the type of skills needed – for Strategy 2030’s seven operational priorities. The committee members debated how the complexity and sophistication of projects within multidisciplinary areas as well as automation (resulting from the digital agenda<sup>4</sup>) and high-value inputs may call for a change in the composition of staff categories (i.e., international staff, national staff, and administrative staff); the location of staff (i.e., headquarters versus in the field); the nature of work (i.e., sovereign versus non-sovereign operations and knowledge); and the requirements for upgrading skills and capabilities of staff.

8. Regarding conversions of staff categories, the recent adoption of flexible position management, allowing for flexibility and mobility of resources, was presented by BPMSD as a useful tool. Members agreed that maintaining the bank’s international character is important as is maintaining a certain level of high-caliber international staff to stay internationally competitive and to ensure ADB maintains thought leadership.

9. As a result of the Pacific Approach,<sup>5</sup> which has strengthened ADB’s field presence in the Pacific region, and the scaling up of non-sovereign operations, also reflected in field operations, there has been an impact on staffing in these areas in terms of workload, number of staff, categories of staff, and reporting lines.

10. HRC members noted that the staff base is expanding, and reforms have ensured the recruitment process has become more streamlined, and expressed their support for mentoring programs, which are being further developed.

11. HRC members discussed the importance of ensuring that new recruits are properly briefed on the kinds of broad policy initiatives that have been articulated in Strategy 2030, such as gender and climate.

12. HRC members also discussed the lessons learned from the first round of the mobility exercise, agreeing that mobility has the potential to have a positive effect on the bank and One ADB once it takes root in the organization. The committee members expressed their concern about moving staff from resident missions and finding the right place for them in headquarters.

13. The HRC deliberated on changes that are being implemented in ADB’s Young Professionals Program this year. Improvements in progress include (i) increasing young-talent intake (without guaranteed absorption), (ii) involving sector and thematic groups in the selection process, and (iii) implementing a new rotation system. A structured training program will also be incorporated. The HRC commended the program, welcoming the ongoing improvements, and suggested looking at the experiences of other multilateral development banks in, for example, peer coaching and providing advisors and mentors. The importance of quality was emphasized as well as the need to look at the program long term, i.e., with the intention of retaining the best talent and taking corrective actions early on if necessary. The HCR emphasized the importance of integrity in the selection process.

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<sup>4</sup> ADB’s Digital Agenda 2030

<sup>5</sup> ADB. 2016. *Pacific Approach, 2016-2020*. Manila.

### III. GENDER

14. The HRC strongly agree on the importance of continuing efforts to recruit and retain highly qualified women international staff at ADB. In terms of overall workforce, there is a good gender balance in ADB, but a breakdown of the data reveals that women international staff are underrepresented in middle management. BPMSD has implemented several measures to strengthen recruitment and retention of women international staff: (i) flexible work arrangements; (ii) spouse-employment support; (iii) a family-friendly workplace; and (iv) training and development, including leadership development. The committee agreed that ADB needs to get to a point where more of its female staff will recommend the bank to other women as a place to work.

15. In 2018, ADB conducted a comprehensive gender pay analysis, which concluded that no significant unexplained pay gap currently exists between its male and female staff members. In March 2019, ADB obtained the second level of Economic Dividends for Gender Equality (EDGE)<sup>6</sup> certification, “Move”, which is an important step for the institution and for attracting women candidates for hiring. The certification consists of five different areas of analysis (equal pay for equivalent work, recruitment and promotion, leadership development training and mentoring, flexible working, and organizational culture) and three different sets of data (statistics, employee survey, and policies and practices questionnaire). In March 2019, EDGE representatives presented results, findings, and recommendations to the Board of Directors at an informal Board briefing.

16. The HRC considered the need to strengthen the gender dimension when it comes to career-related decisions and succession planning. It was suggested that management should put more emphasis on allocating work responsibilities to women, providing them with better opportunities to demonstrate leadership and hence be better positioned to move into leadership roles. The HRC accepted that policies and practices that support gender equality, i.e., talent development of potential leadership groups, should be reinforced and noted that BPMSD is looking at the pipeline of level 6 women international staff in order to prepare them for future leadership roles.

### IV. LEARNING AND DEVELOPMENT

17. There is a need for staff to up-skill, re-skill, or change direction in order to deliver Strategy 2030. Learning and development, particularly leadership development, is critically important to this effort. Senior staff must be able to distinguish between management and leadership and develop skills in both. Senior managers should get involved in and take ownership of their team’s development. ADB needs to ensure women are suitably represented in all of its learning and leadership development programs to ensure the bank has a balanced pipeline of leadership talent.

18. Committee members discussed how mainstreaming of key issues and multisector components, such as safeguards, gender, and climate change need to be driven into the DNA of the organization and how to do this through learning and development. The mind-sets, not only of staff but also senior managers, about what staff roles entail (i.e., a mainstreaming of, for example, gender and climate change incorporated in all roles) should be supported via training.

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<sup>6</sup> EDGE is the leading global standard in workplace gender equality. The certification is a rigorous third-party analysis that is externally verified.

## V. COMPREHENSIVE COMPENSATION AND BENEFITS REVIEW

19. The paper for the annual review of salaries and benefits for international staff, national staff, and administrative staff is presented to and discussed with the HRC in November each year, prior to Board discussion and approval of the following year's salary increase proposals.

20. Separate to this, ADB conducts a comprehensive review of its compensation and benefits policies every 5 years; the current review, which commenced in early 2019, will conclude at the end of 2020. The objectives of the 2020 review are to (i) develop guiding principles for managing reward; (ii) establish market comparator groups, and the related target market position; (iii) conduct a total remuneration benchmarking exercise; and (iv) recommend potential policy and methodology changes for consideration. ADB will conduct the 2020 compensation and benefits review with reference to the Strategy 2030 business context and related workforce needs.

21. Following a competitive process, ADB hired the international management consulting firm, Korn Ferry, to conduct the 2020 compensation and benefits review, which will deliver three main reports as follows:

- (i) Inception Report: April 2019.
- (ii) Interim Report: December 2019.
- (iii) Final Report: April 2020.

22. After delivery of the Final Report, BPMSD will then develop the Board proposals paper in the fourth quarter of 2020.

23. The HRC places particular importance on this topic and hence, regular updates, discussions, and inputs by the committee took place throughout the year. The HRC suggested that ADB should not treat the 2020 compensation and benefits review as business as usual and instead, should be open to new thinking. With this in mind, Korn Ferry advised ADB to think carefully about what kind of organization it wants to be and what messages are being sent in relation to reward. The discussions focused on the importance of knowing what is wanted long-term and making sure that the reward programs designed do not block the kind of changes needed to deliver Strategy 2030.

24. Furthermore, although Strategy 2030 is clear about the need for an evolving and changing workforce, ADB needs clarity on how to operationalize it before looking at compensation and benefits policies—hence the importance of the relationship between the 2020 compensation and benefits review, and the broader human resources framework.

25. The HRC was pleased that the assessment will be comprehensive and holistic, focusing not just on salaries, but on all components of the compensation and benefits package. Committee members suggested that ADB needs to modernize and simplify, to be more innovative with non-monetary forms of reward and to have compensation and benefits packages that reflect more modern work practices (e.g., a remote-work culture and performance-linked pay). This may require updating ADB's work practices and compensation benefits to make them more family-friendly and inclusive.

26. HRC advised BPMSD to engage with senior management on a regular basis during the process of the review, as a consensus needs to be built, with the final proposal needing to be supported by Management and Senior Management, and endorsed by the Board.

27. Discussions on salary proposals led committee members and observers from the Board to put forth that they would like to see broader coherence and consistency across the whole of ADB, covering all four groups: staff, the Board of Directors, vice-presidents and the President. Since the HRC's mandate is to provide guidance on policies that affect the staff, the issue of the salaries of the President, the Board of Directors and the vice-presidents will be discussed in another forum.

## **VI. RECOMMENDATION**

28. The HRC recommends that the Board approve the public disclosure of the annual report.

## **TERMS OF REFERENCE OF THE HUMAN RESOURCES COMMITTEE OF THE BOARD OF DIRECTORS**

1. The Human Resources Committee will be a means by which the Board can provide guidance on the human resources management of the Asian Development Bank (ADB). Its primary responsibility will include reviewing, monitoring, and making recommendations to the Board of Directors on ADB's human resources strategy and policies.

### **A. Composition**

2. The committee will consist of not more than six members of the Board of Directors. The members of the committee will be appointed for a term starting on 1 July of the appointment year and ending on 30 June, 2 years later. If a member of the committee ceases to be a member of the Board, a replacement will be appointed for the remaining term of the committee.

### **B. Responsibilities**

3. The committee will be expected to satisfy itself that ADB's human resources management activities are adequate and effective. In this regard, the specific responsibilities that the committee will carry out on behalf of the Board are as follows:

(i) Review, monitor, and make recommendations to the Board of Directors on the bank's human resources strategy and policies that pertain to staffing, compensation, benefits, and related issues of strategic importance that directly affect ADB's ability to recruit, develop, and retain the highly-qualified staff needed for it to achieve its mandate.

(ii) Review any external evaluations of ADB's human resources strategy and policies pertaining to the issues set out in (i) above, and report to the Board its findings and recommendations on such issues.

(iii) Consider with other Board committees and Management the repercussions of recommendations of other Board committees on ADB's human resources strategy and policies.

4. The purpose of the committee is not to influence the recruitment and career prospects of individual staff members or groups of staff members. It would be a serious violation of ethics for any committee member to use his or her position for such a purpose.

5. The committee will make reports and submit recommendations to the Board of Directors through the President in his capacity as the chair of the Board.

6. The committee will make reports as it considers necessary, but at least once a year.

### **C. Meetings**

7. The committee will meet as often as it considers necessary. Committee meetings will be held at ADB headquarters in Manila.

8. The quorum for a meeting will be three members of the committee. If the chair is not present, the committee will select one of the members present to preside over that meeting.

9. All other Board members may attend meetings of the committee. Directors' advisors may attend the meetings of the committee except as otherwise advised by the chair of the committee.

**D. Information and Communication**

10. The committee may request such information as is considered necessary by the committee to discharge its responsibilities. The committee may, with the concurrence of the President, seek briefings from staff members concerned on relevant matters and request their participation at meetings.

11. If a document or information requested by the committee is not provided, the request may be referred by the chair of the committee to the President, in the President's capacity as chair of the Board of Directors, for a final decision.

12. All communication between the committee and ADB staff will be conducted through The Secretary of ADB.

**E. Administrative Arrangements**

13. Secretariat support will be provided by the Office of the Secretary and technical support will be provided by the Budget, Personnel, and Management Systems Department.

**WORK PROGRAM, 2018–2019**

<b>Meeting Date</b>	<b>Discussion Topics</b>
3 September 2018	Gender Staffing Initiatives
5 October 2018	Workforce Analysis
15 November 2018	Salary Learning and Development
7 December 2018	Staffing Pension
5 March 2019	HRC work plan 2019 EDGE Certification
9 April 2019	2020 Compensation and Benefits Review Update

EDGE = Economic Dividends for Gender Equality, HRC = Human Resources Committee.