<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>BPMSD</td>
<td>Budget, People, and Management Systems Department</td>
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<tr>
<td>BRC</td>
<td>Budget Review Committee</td>
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<tr>
<td>CBR</td>
<td>comprehensive review of compensation and benefits</td>
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<tr>
<td>CTI</td>
<td>Cultural Transformation Initiative</td>
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<tr>
<td>DIB</td>
<td>diversity, inclusion, and belonging</td>
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<tr>
<td>DMC</td>
<td>developing member country</td>
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<tr>
<td>EVP</td>
<td>employee value proposition</td>
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<td>HRC</td>
<td>Human Resources Committee</td>
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<tr>
<td>IT</td>
<td>information technology</td>
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<td>ITD</td>
<td>Information Technology Department</td>
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<tr>
<td>MDB</td>
<td>multilateral development bank</td>
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<tr>
<td>OOMP</td>
<td>Office of the Ombudsperson</td>
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<tr>
<td>OPC</td>
<td>Office of Professional Conduct</td>
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<tr>
<td>SPD</td>
<td>Strategy, Policy, and Partnerships Department</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>WFH</td>
<td>work from home</td>
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I. INTRODUCTION

1. The Human Resources Committee (HRC) is submitting this report to the Board of Directors of the Asian Development Bank (ADB) pursuant to its terms of reference.\(^1\) The report covers the discussions from the HRC meetings in 2022. The HRC chair and members during this period are provided in the table.

<table>
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<th>Designation</th>
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<tr>
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<td>Sameer Kumar Khare</td>
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<tr>
<td>Vice-Chair</td>
<td>Takahiro Yasui</td>
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<td>Members</td>
<td>Paul Dominguez (until 14 October 2022)</td>
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<td>Arif Baharudin</td>
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<td>Wan Farisan Bin Wan Sulaiman (until 30 August 2022)</td>
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<td>Donald Bobiash (from 1 September 2022)</td>
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<td>Justine Sicat (from 18 October 2022)</td>
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2. In 2022, the HRC met with staff from the Budget, People, and Management Systems Department (BPMSD); the Office of the Ombudsperson (OOMP); the Office of Professional Conduct (OPC); and the Strategy, Policy, and Partnerships Department (SPD). The committee also invited Staff Council representatives to attend the meetings. The HRC asked BPMSD to focus on the following topics throughout the 2022 HRC meetings: (i) matters related to the reoccupancy of ADB headquarters and new ways of working, including the health and well-being of staff; and (ii) matters related to the organizational review, including the Cultural Transformation Initiative (CTI), the job architecture review, and the human resources frameworks.

3. The HRC also discussed, together with the Budget Review Committee (BRC), the annual review of salaries and benefits for ADB staff before the full Board discussion and approval of the 2023 salary increase and benefits proposals. It also discussed, together with BRC, the Audit and Risk Committee, and the Information Technology Department, progress on ADB's strategic digital transformation.

II. DISCUSSION ON HUMAN RESOURCES TOPICS

A. New Ways of Working

4. In March 2022, BPMSD presented the HRC with an overview of the actions taken during the pandemic, the steps leading to the reoccupancy of ADB headquarters, and the proposed new ways of working.

5. The HRC noted that other organizations have moved to flexible ways of working following the pandemic, while ADB has adopted a more cautious approach. With the return of staff to the office, the HRC advised—and BPMSD agreed—that ADB should rethink the purpose of going to the office and focus on good communication with and training for staff, particularly highlighting the benefits of a shift into hybrid work. Further, the HRC encouraged a principle-based approach focused on trust and on the support ADB will provide to staff, specifically in improving information technology (IT) systems and workspaces that would allow for better staff interaction. The committee underscored that these actions are important to demonstrate ADB's readiness to

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accommodate evolving business needs. The HRC noted that a pillar of the CTI is a principle-based culture based on trust that also aims to reduce bureaucracy and hierarchy in order to promote new ways of working.

6. The HRC emphasized that operations in developing member countries (DMCs) are the core business of ADB, and the bank should focus on the staff involved in projects returning to the field to reconnect with clients. The committee also acknowledged that the concept of staff interaction with clients will be incorporated into the organizational review, as informed by BPMSD.

7. Regarding the reoccupancy of headquarters, the HRC pointed out that staff interaction is important for innovation and relationship building, as well as to make people feel supported. The HRC acknowledged that staff were consulted about the return to the office, and that 78% of staff prefer a hybrid model. In terms of how a 100% reoccupancy was envisioned, BPMSD introduced a policy that will include 2 days a week of work from home (WFH), with a 2-year pilot regarding WFH outside duty station for up to 44 working days per calendar year. The pilot will be assessed by end of 2024 and adjusted based on lessons learned.

B. Talent Acquisition and Retention

8. The HRC reviewed (i) the 2020 and 2021 recruitment volume and fill ratio of all staff categories; (ii) voluntary resignations in 2020 and 2021; (iii) the hiring experience during the pandemic; (iv) recruitment reform, ADB branding, and talent acquisition tools; (v) gender balance; (vi) recruitment process redesign and streamlining; (vii) IT innovations and digital reforms; (viii) human resources initiatives; and (ix) the young professional and internship programs.

9. The HRC noted that recruitment reform was a priority project for 2022 and that the reforms covered three priority areas: (i) further streamlining and business process reengineering for a more efficient hiring process; (ii) using modern IT, such as chatbots and video interviewing; and (iii) defining the employee value proposition (EVP), while embedding the diversity, inclusion, and belonging (DIB) framework and gender goal strategy. The HRC noted that the goal of the reforms is to make ADB an employer of choice that can attract high-performing and diverse talent and aims to improve the EVP and branding, including a shorter hiring time.

10. The HRC emphasized the importance of outreach and marketing to ensure that candidates’ expectations are met once they join ADB. It acknowledged that (i) the EVP is the value proposed by ADB in response to the value the candidate can bring in and (ii) that value makes staff proud to be associated with ADB and motivates them to give their best. The stronger the EVP, the stronger is the talent retention. Some key locational factors, such as spousal employment, and schooling were mentioned as they could undermine talent recruitment. The HRC advised that flexible work solutions should be fully publicized with potential recruits. The HRC also suggested that ADB should consider regional hubs as an additional solution.

11. The HRC reiterated that the recruitment process takes too long, and many candidates drop out during such an extended hiring process. The HRC acknowledged BPMSD’s plan to use artificial intelligence (AI) and machine learning to speed up answers to candidates’ questions and offer a smooth and interactive experience. The committee also noted the Candidate Experience survey was going to be expanded to internal candidates in 2022. Among the improvements in 2021, BPMSD highlighted system and correspondence enhancements, faster turnaround times, and more personal feedback from hiring managers. BPMSD reported that the average time in sending regrets was reduced from 76 to 44 days from application closing date. In terms of long-term solutions, BPMSD informed the HRC that it has started working on improving the career site
and a new survey. The HRC also acknowledged that the pandemic made recruitment more challenging and slowed the process further as candidates opted not to travel to Manila or had the chance to stay with current employers, while some other companies were more aggressive in recruiting regardless of the location of candidates.

12. The HRC reviewed the use of digital tools, specifically MARI (myADB Recruitment Intelligence)\(^2\) and the video interview software. The committee focused on the usefulness of such tools in reducing recruitment time without compromising the quality of the services. As for using AI for talent retention, BPMSD explained that human interaction is required rather than using chatbots.

13. The HRC reiterated the importance of focusing on gender targets, as the pandemic has likely reduced gender balance in the recruitment process.

14. The HRC commented on ADB’s recruitment requirements and acknowledged that holding a master’s degree is not mandatory. Job descriptions are being revised accordingly to also ensure that gender bias is not included in any advertisement. The committee underscored that ADB should develop people and give staff chances to obtain master’s degrees or doctorates to promote a more purpose-driven organization and create better succession planning. BPMSD confirmed that ADB offers opportunities for staff to develop through a staff development program and supports staff in obtaining degrees. The HRC acknowledged that the job architecture review will provide a career development framework and make it easier for staff and managers to understand what skills are required at different levels.

15. The HRC highlighted the importance of the young professional and internship programs and noted that absorption is the issue challenging BPMSD, as finding a department to absorb young professionals is difficult. The HR Business Partners Division (BPHP) reported that it is redesigning the young professionals program to include more training and a more simplified recruitment process.

C. Staff Health and Well-Being

16. The HRC discussed the CTI and staff well-being in the same meeting, highlighting that a culture that is trustworthy and supportive underpins staff well-being. The committee generally agreed that staff well-being is a core element of human resources and staff should be dedicated to the matter full-time. BPMSD confirmed that staff well-being is ADB’s top priority and a project to fully assess mental health and well-being is being undertaken. BPMSD explained that the three ways to ensure that the project generates support in this area are to (i) collect insights and information to understand the issues, including what staff have to say; (ii) agree on actions to support staff; and (iii) review the success of those actions after 1 or 2 years to check what worked and what can be enhanced.

17. The HRC reviewed the role of ADB’s wellness champions and how that role is balanced with other work commitments. It acknowledged that the program’s main purpose is to increase staff’s awareness of mental health risks and that the role is voluntary. Through this program, BPMSD aims to ensure that staff know where they can go in case of problems, without the fear of stigma or embarrassment. The HRC stressed the importance of making staff feel comfortable

\(^2\) MARI is an AI-powered interactive conversational bot that capitalizes on natural language processing, big data analytics, and machine learning technology. It aims to automate and optimize some parts of the ADB recruitment process.
to open up about mental health and noted that BPMSD organized several initiatives to address the matter, including mental health week, Wellness Wednesday sessions, and activities addressing the stress and anxiety of staff transitioning back to headquarters.

18. The HRC acknowledged that the mental health review is important for staff well-being, because it will support designing the right project to make the services in the best interest and relevance for staff. The committee explained that the ombudsperson has been involved in the design of the review and that a consultant was recruited to lead the review of mental health including developing the survey and assessing the results, and will develop a final report for Management. The survey that will be designed will help ADB develop its own vocabulary to discuss mental health issues, increase trust in ADB when discussing the topic, and lessen the fear of stigma. The HRC noted that other organizations are collecting data on the matter, and it will be helpful to compare those with ADB’s results.

D. Cultural Transformation Initiative

19. The HRC reviewed the actions taken by BPMSD since the last CTI update a year earlier. It acknowledged that BPMSD focused on the dialogue among staff, especially the discussion of the meaning of cultural transformation and its impact on the way of working, as well as identifying and tackling roadblocks to change. The HRC learned that the purpose of the CTI is to create a positive work environment where trust is essential and staff feel safe to speak up and feel supported by their managers in case they fail. The shift will enable a more collaborative and agile work environment where staff feel encouraged to explore alternative ideas and come up with innovative client-centric solutions. BPMSD pointed out that the transformational element is necessary for ADB to continue to adapt to the changing needs of our clients and be the preferred development partner of the region’s DMCs.

20. The HRC highlighted the importance of a consistent assessment of the impact and progress of the CTI. BPMSD confirmed that the same methodology will be applied in subsequent years and staff will be asked the same questions to allow a consistent comparison with the initial exercise. The reassessment will identify areas of culture change that showed more progress than others.

21. Regarding the upward assessment, the HRC stressed that staff should perceive the right actions are being taken, i.e., managers should not be the only ones who feel they are doing the right thing. The HRC acknowledged that the purpose of the 360-degree assessment is to review (i) how managers are adhering to the values and core competencies and (ii) what staff experience regularly from their managers. The HRC also noted that staff often say that the level of trust is low. However, looking at the value that is most frequently selected by staff, it appears that managers are treating staff with respect—and that is a behavior that underpins trust.

22. The HRC emphasized that diminishing bureaucracy within ADB should be one of the aims of culture change actions. The committee highlighted that ADB should be considered a trustworthy institution not only by external clients but also by staff and should reduce bureaucracy to demonstrate that trust. The HRC acknowledged that several benefit applications were to be streamlined starting January 2023 and the bureaucracy eased.

23. The HRC reviewed the relationship between the CTI and the organizational review, as well as how the CTI will fit into the review and its time frame. The committee noted that the CTI and organizational review have different paces as both have elements that can be faster to
achieve, such as overcoming some roadblocks; changing how people perceive the transformation may take longer. BPMSD assured the HRC that it is accelerating the process where possible.

24. Recruitment, appointments, and promotions were also emphasized by the HRC as important tools to achieve the transformation. The HRC noted that the CTI provides momentum for culture change and a good foundation to continue such efforts.

25. The HRC learned that no other international financial institutions have taken ADB’s approach to culture transformation, while some United Nations (UN) agencies did adopt a similar approach.

26. The HRC raised questions about the usefulness of training, workshops, and awareness-raising activities, as well as other measures to promote the effectiveness of the culture transformation. The HRC acknowledged that the purpose of these activities is to discuss how the values and behaviors are put into practice and what teams need to do to achieve that, enabling staff to speak up and feel more empowered. Managers are the champions of change and are asked to run the workshops with an administrative co-facilitator. Training and facilitator guides are available to managers and co-facilitators, and external facilitators may be engaged for managers who need extra support for such workshops. BPMSD also explained that increasing awareness is important, and that communication will be scaled up to strengthen staff awareness about the ongoing and upcoming changes. The HRC noted that the Festival of Change was well attended. The Festival of Change was a 3-day virtual event in June 2022, where more than 2,000 ADB personnel joined in celebrating the first anniversary of the ADB Values, experienced where change is happening, and explored ways to advance personal and organizational transformation.

E. Diversity, Inclusion, and Belonging

27. The HRC reviewed ADB’s progress on DIB. The committee noted that this shift requires a series of changes, including moving from (i) a reactive, demographic, piecemeal approach to a proactive, holistic, and systemic one; (ii) a compliance mindset to one of awareness of the value of diversity and inclusion; (iii) an approach focused primarily on female staff representation to one focused on intersectionality, including gender and other dimensions of diversity; and (iv) ad hoc or stand-alone initiatives to initiatives embedded in ADB policies and practices.

28. The HRC acknowledged that ADB has a long history of commitment to gender equality, diversity, and inclusion. This commitment is demonstrated by ADB’s increased focus on LGBT+ (lesbian, gay, bisexual, transgender) inclusion and inclusion of persons with disabilities in the workplace, as well as the embedding of DIB into talent processes and organizational values. The importance of accountability and creation of conditions to accelerate the pace of change were a focus of discussion. The creation of the DIB Advisory Board has facilitated participation and awareness raising at the leadership level and has brought visibility to key areas such as the inclusion of LGBT+ employees and persons with disabilities.

29. The HRC generally commended ADB’s progress but also pointed out areas that need further review. The HRC highlighted that the gender target of 40% of female international staff has not been achieved. The pandemic was recognized as an element that contributed to the slower growth in representation of female staff among international staff. The HRC pointed out the lack of representation of female leadership, and also noted that this is a global challenge; many other organizations face similar issues related to hiring and retaining female talent, especially for senior positions. The HRC identified that scaling up the area of belonging is critical for retention, along with distributing accountability across ADB and developing the next gender
action plan. The HRC also raised concerns over possible recruitment biases and welcomed BPMSD’s clarification that recruitment is based on merit, with a view to balance gender and consistently ensure merit. The HRC also noted that more resources are being allocated to address gender balance issues, and that search firms, which may be used from time to time, are incentivized to attract the best talent. BPMSD confirmed that mitigating bias in recruitment is a priority, and that focusing on updated job descriptions and job advertisements will promote gender inclusivity and improve the recruitment of women and diverse candidates.

30. Regarding the LGBT+ community, the HRC acknowledged that ADB provides the same benefits to spouses and domestic partners. It welcomed BPMSD’s initiative to attend a roundtable organized by the International Finance Corporation on LGBT+ employment and mobility, which will help ADB understand how peer organizations are handling the matter. The HRC noted that LGBT+ mobility can be complicated as national laws need to be respected and cases need to be reviewed, in many instances on an ad hoc basis.

31. The HRC also reviewed the salary comparative ratio, specifically gender comparative ratio gaps. BPMSD was asked to update the gender pay gap study in 2023 as part of the gender action plan to ensure that no pay gaps have developed. The last update, completed in 2018, did not find any unexplained differences in salaries between men and women. The HRC further suggested to put in place policy checks to reassure female staff that their pay is not subject to any gender-based biases.

32. The HRC focused on the disability assessment being carried out. The committee asked about the definition of disability and highlighted the importance of accessibility to headquarters and transportation to and from headquarters. BPMSD clarified that the analysis, which will be conducted by an external, global expert firm, will focus on assessing headquarters accessibility and digital accessibility of public-facing websites and systems, as well as policies, practices, and culture. The HRC noted that a working group has been established and that interviews and a focus group with staff are planned. BPMSD further clarified that ADB has not adopted a definition of disability. ADB will need to think of the disabilities that staff either had before or acquired during their employment and how to support them. The HRC also acknowledged ADB is not ready to set a target for persons with disabilities, but this will be taken into consideration by BPMSD.

F. Human Resources Framework Updates

33. The HRC reviewed what has been done in terms of strategies and practices in view of the workplace transformation, and highlighted that staff involvement and motivation underpins the success of the transformational agenda and would make the initiative sustainable in the long term.

34. The HRC recognized the midyear review as a valuable exercise. The HRC acknowledged that staff are provided with thorough documentation to enhance their capacity to have fruitful discussions with their supervisors, including skill-building sessions, and that a framework about difficult conversations is also provided. The HRC also noted that questions about hybrid work were added to trigger meaningful discussions on how to make the setup work best and to make the arrangement more formal and forward-looking.

35. Other topics covered during the updates included ADB’s response to the increased cost of living and general inflation impacting staff, and assessing staff demographics, including age. The HRC noted that BPMSD takes these matters into consideration.
G. Job Architecture Updates

36. The HRC reviewed the progress made on the job architecture. Discussions focused on the job families as clusters of comparative roles and skill sets. BPMSD explained that job families will enable a stronger career path by increasing knowledge of the skills needed to progress and greater transparency. The HRC also raised concerns about limits to career progression for administrative and national staff and noted that the job families will support more mobility, rather than creating barriers, as they will make it clear to staff what is needed to move within the organization. The HRC also raised the need to focus on improving delegation to resident mission staff and advised BPMSD to have more resident mission representation on the job architecture advisory committee.

37. The HRC expressed interest in seeing the job architecture project completed as soon as possible but recognized that the exercise is labor-intensive and is a collaboration with several departments. BPMSD explained that the development of the job grading structure needs to be completed as the first step. For the methodology to be applied to ADB, Korn Ferry conducted a review of 300 jobs using the Hay Job Evaluation Methodology, which is time-consuming.

38. The HRC raised concerns about the simplification and qualification of the jobs, which seems to contradict the need for ADB to be more flexible and agile, and about the standardization of skill sets, which may not work for different departments. To address such concerns, BPMSD explained that by adopting a common language, jobs are unified, while the variety of requirements are covered by the job families. If a job needs to change, BPMSD reassured that this system will allow flexibility because there will be tools to reevaluate it in terms of job level or size.

H. Human Capital Management

39. The HRC reviewed the status of the human capital management digitalization process and its connection to ADB’s Digital Agenda. The HRC noted that the human capital management digitalization process was discussed as a pipeline of the Digital Agenda’s framework, and that the funding from the 3-year rolling capital budget will be discussed with Information Technology and Data Committee. The HRC was informed that implementation will start upon budget approval.

40. On the document digitalization initiative, the HRC commented that, in addition to digitalizing documents, they should be classified to allow efficient searchability and storage. It should also ensure data security and integrity. The HRC acknowledged that the security and confidentiality of a document are parts of the design of the document management system, where the secured depository of staff records will be easily searchable. BPMSD explained that files will be ordered in the same way as employee files through taxonomy; security will not be up to employee’s level only, but also up to the document type level.

I. Organizational Review Updates

41. The HRC reviewed the progress made by ADB since the last organizational review update in 2021. SPD provided a presentation. The HRC acknowledged that the organizational review team intensively engaged with staff and departments, through several channels such as ADB conneXions, town hall, and focus group discussions, to communicate organizational review details and progress. BPMSD also held bilateral meetings with the Board. Discussions focused on budget, governance, and implementation issues.
42. The HRC focused on (i) the One ADB resident mission initiative and the role of country directors, (ii) IT requirements and costs, (iii) the progress of the Digital Agenda, and (iv) the importance of having independent feedback to Management and the Board on organizational review implementation.

43. SPD and BPMSD informed the HRC that the Information Technology Department (ITD) had been assessing IT platforms and identified major system changes. These are driven by changes in business processes, particularly in human resources, such as the job architecture. The HRC noted that IT will require major work that will need to be done in parallel with the development of new business processes and aligned with the pace of the job architecture. ITD identified the second quarter of 2023 as the possible time frame to have the IT systems ready for organizational review implementation.

44. The HRC stressed the importance of consultations with ADB’s stakeholders to ensure that the initiative benefits the DMCs. SPD explained that the organizational review has three elements: why, what, and how. On the why and what, SPD reassured that extensive consultations were held with DMCs through the resident mission review and Strategy 2030, and town halls were organized with staff. The most important element was the how, which is the proposed model for structural and nonstructural change. The HRC acknowledged that the pace to reach the final objective depends on human capacity. The HRC and SPD agreed on the need for a practical implementation plan that carefully assesses current and future capacity in consultation with staff and stakeholders. SPD highlighted the need to minimize disruption, while also being bold enough to make substantial changes to address an immediate need. SPD also told the HRC that a transformation office will be established for bank-wide coordination and progress monitoring, while relevant departments, including BPMSD and SPD, will continue to lead nonstructural measures.

45. On gaps and staff mapping, BPMSD explained that the principle of the appointment process is to map what level and expertise match the new position. If there is a match, reassignment or transfer can be considered; if not, the position may be advertised and selected through a competitive process. The HRC noted that some temporary positions will be needed that may involve additional budget allocations. BPMSD informed the HRC that this will be discussed with the Board through the BRC.

46. The HRC noted that the human resources framework, job architecture, and organizational review are sequenced and interlinked to reinforce each other in order to benefit ADB’s DMCs. BPMSD assured the HRC that the organizational review and job architecture teams are working together to ensure alignment. Updated job descriptions were proposed in the context of the organizational review; consequently, the job architecture team started working with Korn Ferry to assess job sizes against existing roles. The HRC noted that Korn Ferry’s role is to provide advice on the appropriate job level of the updated role in line with the design of the new organizational structure. The updated job families and job descriptions under the job architecture are expected to support the implementation of the organizational review. The organizational review and job architecture teams are also coordinating consultation and communication with staff.

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J. 2023 Staff Salary and Benefits Proposals

47. The HRC and the BRC reviewed the 2023 salary and benefits proposals before Board consideration in November 2022. BPMSD highlighted the following points of the proposals:
   (i) Management aimed to balance the need to maintain market competitive salaries with the importance of managing the budget responsibly. Hence, key aspects of the proposals are about the market movement of pay and the gaps to the desired market levels.
   (ii) It was important to follow the Board-approved 2020 comprehensive review of compensation and benefits (CBR) methodology. Therefore, as an indexation year, levels of market movement of pay in comparator groups drove these proposals.
   (iii) It was important to consider field office salary increases and be flexible in locations with small numbers of staff where the use of aggregate comparators is less relevant.

48. The two committees discussed several aspects of the proposals with BPMSD. They raised concerns over the total compensation and the real value of salaries, taking recent rapid inflation into account. BPMSD acknowledged these comments as useful inputs for the review and noted that 2024 will be the total cash benefit benchmarking exercise rather than an indexation year.

49. The committees discussed salaries in resident missions, noting that salaries in some locations are not competitive and do not address rapid inflation. The HRC acknowledged BPMSD’s commitment in 2023 to assess how a market-based approach can be achieved in locations where local labor markets are small and lack comparator organizations. On the issue of salary currencies across resident missions, BPMSD explained that the approach is to define salaries in the same currency as the local market comparator organizations. Paying in a different currency to the market means that foreign exchange swings can create abnormal situations of significant overpayment or underpayment. Under the methodology agreed upon in the 2020 CBR, locally hired staff are paid in the local market currency based on the assumption that their costs are primarily in that currency.

50. The committees also focused on staff turnover, noting that there may be a time lag beyond the end of the pandemic where some staff may eventually decide to leave ADB rather than return to their duty stations. One Board director commented that the answer to retaining staff may not be increasing salaries; rather, ADB should look at the whole reward package. The HRC also highlighted the nonmonetary factors such as the lack of work opportunities for partners.

51. The HRC reviewed the 2023 target comparators to partially close the gap to the market for international, national, and administrative staff at headquarters and commented that this is not a precise commitment to get to a 100% comparator. BPMSD explained that the rationale for a limited closing of the gap was to ensure that the gap does not increase in size in the future, as this would become a more difficult issue to resolve in future budgets.

52. The HRC agreed that there are issues in the performance management system which may not be used effectively by all managers. The HRC noted that the guideline range for salary increases given to staff rated 3 last year was narrow; this meant that most staff received a similar salary increase regardless of performance. The HRC encouraged BPMSD to resolve this by widening the guideline salary increase ranges so managers can use pay to send clearer signals to staff about performance. The purpose of performance management is to have real discussions about performance to improve the quality of work. The HRC acknowledged that (i) a system is in place that enables the differentiation of performance, (ii) supervisors are being supported in doing
this, and (iii) coaching sessions are available. BPMSD explained that, even for staff who get a performance rating of 3, a manager can make a recommendation within a guideline salary increase range. BPMSD reassured the HRC that it will continue to encourage managers to make proper assessments and differentiate salary increases in line with different performance levels.

53. On part-time work, the HRC noted that the 2020 CBR recommended introducing this modality and it explained that ADB is unusual among comparators in not having such a policy. Because of other priorities, the rollout of a part-time work modality was moved to January 2024. The committees highlighted the importance of introducing this modality as soon as possible. BPMSD explained that the policy and process design part is progressing well, but setting up the IT infrastructure is time-consuming hence the move to January 2024.

54. The HRC discussed the relationship between salary increases and inflation and noted that in real terms salary increases at ADB and in the market are quite modest during the current economic climate of high inflation. The HRC noted that salary increases in the market often do not keep pace with inflation as few organizations match salary increases with inflation in the current environment. The HRC acknowledged that ADB has another mechanism—the special compensation measures framework—for national and administrative staff in resident missions that pay in local currency. When staff face hyperinflation or extreme devaluation of local currency, temporary measures are triggered to provide additional support. BPMSD explained that ADB’s resident missions in Sri Lanka and Pakistan had benefited from such temporary measures.

K. Workforce Analysis

55. The HRC and the BRC discussed the key workforce analysis findings and generally commended the improvements in 2022. Under the 2023 budget, which follows the 3-year staff resourcing framework in the Work Program and Budget Framework, 2023–2025, the following items were noted:

(i) Change in analytical method. The method was adjusted to focus on skills, including taking stock of existing staff’s skills, and to identify staff resource gaps in 2022.

(ii) Trends in what staff are doing. ADB-wide time usage data showed that international and national staff spent more than 50% of their time on operations and knowledge management activities from 2018 to 2021. The departmental time usage has been broadly aligned with departmental functions and objectives.

(iii) Change in composition of key skills. Staff positions for social sector, thematic areas, safeguards, and private sector investments have increased significantly since 2018 in alignment with Strategy 2030. Consequently, these were the four largest skill groups in 2022. These changes were achieved through the sustained “scrap-and-build” approach to existing staff positions, as well as new staff positions.

(iv) Resourcing gaps. Salient gaps in operations skills have been identified in climate change, gender, private sector investment, safeguards, and some sectors; emerging skills, such as risk mitigation and legal support for new initiatives, digital transformation, business process modernization, new ways of working, field office

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5 The scrap-and-build approach to existing positions are practiced in the following ways: (i) cost-neutral conversion of international or national staff positions to multiple national and administrative positions, (ii) reclassification of skills assigned to staff positions, and (iii) sequestration of existing staff positions and reallocation.
support, communications, cybersecurity, data science and analytics, and food security are also needed.

(v) **Addressing gaps.** BPMSD continues to sustain a prudent approach to staff resources. Gaps will be filled by (a) upskilling current staff; (b) optimizing existing staff resources through the scrap-and-build approach (e.g., reallocation between sectors); and (c) internalizing skills previously provided by technical assistance consultants through the equity-neutral workforce rebalancing framework. ADB requests new positions only when all other options are exhausted.

(vi) **Proposed new positions for 2023.** Under the proposed 2023 budget, the workforce rebalancing framework will focus on climate change, safeguards, gender, and food security. New positions will also be requested to address strategic skills gaps in operations and corporate support functions.

56. The HRC pointed out that ADB should focus more on enhancing productivity gains and efficiency through business process streamlining and upskilling, rather than seeking new staff positions. The HRC noted that bureaucracy reduction and agility enhancements are key concepts of the organizational review, and business process reform is a crucial factor within that review and beyond. The HRC appreciated that about 300 sector staff and 100 leaders will be upskilled on climate change knowledge to mainstream climate change in operations. The HRC further acknowledged that it is impossible to track staff time spent on climate change in the time management system; BPMSD will take this into consideration for the future.

57. The HRC highlighted that the quality of staff outputs, along with the quantity of time, should be measured to ensure efficiency. Some metrics should be used to ascertain the transformational impacts to help assess the gains from higher costs. The HRC stressed that ADB should consider results and efficiency using the right key performance indicators, instead of approval and commitment volumes. The HRC acknowledged that BPMSD will continue to explore suitable analytical methods in conjunction with the forthcoming discussion on the Corporate Results Framework.

58. The HRC noted that ADB reached its Corporate Results Framework targets for gender mainstreaming, but more effort is needed during project implementation. Only a few gender staff are placed in each operations department to monitor and ensure the implementation of gender elements during project completion.

59. In the discussion on the scrap-and-build approach, the HRC stressed the importance of applying it consistently and transparently, and advised that among the 300 vacant positions, some should be reallocated and relooked at, and more staff should be allocated to operations for better efficiency. Since sequestration was resumed in 2021, the HRC noted that ADB sequestered 36 long-standing vacancies in 2021–2022 and reallocated them.

60. The HRC also reviewed the approach to the workforce analysis and position allocation. The HRC commented that the analytical and allocation methods seem to follow a centralized command-and-control model that may not be compatible with the spirit of the organizational review. However, BPMSD reassured that the staff position proposal is based on extensive consultations with all the departments and is a bottom-up process in line with the corporate priorities and Strategy 2030. The HRC also held discussions on how these positions will be allocated to the departments and field offices to strengthen decentralization, including technical assistance consultants.
III. DISCUSSIONS WITH THE OFFICE OF THE OMBUDSPERSON AND THE OFFICE OF PROFESSIONAL CONDUCT

A. Annual Report of the Office of the Ombudsperson

61. The HRC discussed the 2021 Annual Report of the Office of the Ombudsperson and noted the following highlights:
   (i) The OOMP saw a 5% increase in cases from 2020 with 44% cases originated by international staff, 83% originated from headquarters, and 63% originated by women.
   (ii) Cases were mainly about (a) work-related stress and work–life balance, (b) staff morale issues, and (c) concerns broadly centered around supervision.
   (iii) In 2015, the UN Joint Investigative Unit released a report stating that the best practice among its various agencies was to have 1% to 5% of the population in consult with the ombudsperson. ADB was 16% in 2021. This may be a sign that staff take advantage of the OOMP’s services, and they trust its confidentiality.
   (iv) The OOMP highlighted some patterns of concerns in 2021 through its case studies (presented in audio format called Odibles). The first case study, “In Safe Hands,” focused on domestic abuse and violence as reflected by the OOMP’s cases. The ombudsperson acknowledged that this is a global issue. The sudden appearance of domestic abuse cases in 2020, when prior to that there was none, prompted the OOMP to bring together a group, comprising representatives from BPMSD, OPC, Security, Medical Center, and Counseling, to discuss the matter in more detail. The second case study, “Left Out,” is about new staff (not only those hired during the pandemic, but also staff who changed offices or departments during that time) struggling and not feeling connected to the organization or their teams. The final case study, “Do I want to Go Back,” addresses staff anxiety about returning to their duty stations and the related issue of splitting families. The office has committed to keep monitoring this evolving situation.
   (v) ADB has responded to the OOMP’s recommendation concerning domestic abuse through a collaborative effort by Security, BPMSD, OPC, and the OOMP, among others, to put together a cohesive response.

62. The HRC focused on the issues surrounding domestic abuse and violence. Members of the committee expressed interest in what ADB can do for victims, witnesses of abuse, or those aware of abuse. The OOMP explained the complex and sensitive nature of the issue. For example, a staff member may be the perpetrator, and the victim may not be inclined to do anything to address the situation as the spouse may be the sole source of income for the family. The HRC acknowledged that it is a complicated situation, calling for sensitivity and empathy to better understand the changing dynamics. The HRC also highlighted that some cases may be in field offices, where different laws and support systems impact the decision-making of the victims. Adding to the complexity of this issue, the abuse usually happens at home. The HRC noted that a practice on how to move forward has not been established, a common challenge for various institutions. The HRC agreed that one key action is to share knowledge with staff to help them make educated decisions.

B. Office of Professional Conduct Updates and Mediation Service

63. The HRC reviewed the key activities and findings presented by OPC. Particular attention was given to the resident missions. The HRC asked about the purpose of visiting resident missions and whether resident missions to be visited were selected based on certain criteria. The HRC noted that the main purpose of visiting a resident mission is to create a connection with the staff; pre-mission surveys are conducted to get a sense of the issues and the climate in the office. OPC explained the nature of concerns for some resident missions. Some are about career progression, workload, and job responsibility; the rest are about conduct, such as harassment and bullying. The HRC acknowledged that OPC partners with human resources to get to the root causes. The HRC also noted that another objective is to build capacity of focal points, as the peer care support network’s purpose is to enable a positive workplace culture and create a bridge with headquarters. Resident missions targeted are those with more concerns, or those particularly with no inquiries or questions. OPC also informed the HRC that outreach activities are conducted where travel is feasible. In 2022, OPC intended to visit other members not because they have more issues, but because the trips will be conducted with human resources business partners. This combination has a stronger impact on field offices, allowing them to come up with recommendations for the country directors and BPMSD. During these missions, workplace climate assessments are conducted, including training on diversity and inclusion.

64. The HRC also focused on the issue of domestic violence, stressing that the issue may be private in nature and may not be the employer’s concern. As explained by OPC, the HRC acknowledged that it is not only a private issue, but it is also a concern for the employer as it affects performance, absenteeism, and morale. OPC informed the HRC that the International Labour Organization issued a convention in 2019 providing measures that may be taken by the human resources and other actors. OPC has been discussing the matter with BPMSD in 2022 to determine what ADB can do, and confirmed that ADB is still defining its policy on the issue.

65. OPC informed the HRC that an exact ratio between number of staff and number of cases per year has not been defined yet because OPC has not completed 2 fiscal years of operation. However, OPC receives on average 2 to 4 inquiries a day, distributed mainly among 2 case officers with additional support from an associate analyst and the director, as needed. Each case may take up to 6 months of work. OPC informed the HRC that it is a labor-intensive process as everything requires analysis and documentation.

66. The HRC discussed the high number of cases about workplace incivility during the WFH setup and was informed by OPC that some staff still worked in headquarters during the lockdown, interacting with contractors and consultants. The main concern brought up concerned people being rude, damaging relationships, morale, and performance. The HRC acknowledged that the high number of such cases highlights the need for training on conflict resolution during remote work, which is more challenging as people tend to remain silent.

67. The HRC noted that the new workplace mediation service, launched by OPC in June, is a valuable addition to the services offered to staff. OPC explained that the scope of the services is narrow, and that OPC was established to provide early resolutions instead of conducting investigations. The new system was designed to be scalable and become a stand-alone unit, if needed. OPC further explained that a comparison with the World Bank or UN is difficult, considering the number of staff and the setup. OPC explained that the UN’s mediation service is embedded in the ombudsperson’s office, while the World Bank’s is a separate service. OPC further explained that about 20 cases per year are foreseen; currently about 75% of cases brought to the office are resolved without investigation.
68. The HRC discussed the cost of the service and whether it is worth it given its narrow focus. OPC noted that no permanent staff are being paid, and that mediators are paid as the service is used. Even if the service is scaled up, OPC explained that it would still be a small office. However, OPC believes it is unlikely that ADB will need a stand-alone office.

69. The HRC identified trust as essential to enable successful mediation. The HRC acknowledged that many mediators already work for the World Bank and UN and have exceptional credentials and experience. This element is fundamental to build trust in the service. Support from managers will also be needed to change the culture, along with raising awareness that staff are not forced to avail themselves of meditation; it should be a comfortable and private tool to solve workplace issues.

70. The HRC reviewed the applicability of the mediation service to the Board and Management under the scope of the Board Ethics Committee and learned of two possible scenarios: (i) if a staff has concerns over the conduct of a Board member, the issue will be managed by the Ethics Committee, and OPC may offer the Ethics Committee the mediation service by the external mediators; and (ii) if the issue is among Board members or Management, the cost of the mediators should be shouldered by the Ethics Committee. However, as OPC explained, the service may not be applicable as the Board is subject to a different Code of Conduct.

IV. HUMAN RESOURCES COMMITTEE TOPICS FOR DISCUSSION IN 2023

71. In addition to updates on topics discussed in 2022 with BPMSD, ITD, the OOMP, and OPC, and a review of salary proposals for 2023 with the BRC, the HRC discussed additional human resources and organization-related matters in 2022 including (i) new ways of working, (ii) staff health and well-being, and (iii) workforce analysis.

72. Given the work ahead, the demand for staff and resources remains high. The HRC encourages Management to help sustain the health and well-being of ADB staff and ensure that staff workloads remain manageable. The HRC looks forward to further engagement on these important topics for ADB in 2023.

V. RECOMMENDATION TO THE BOARD

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