



February 2019

Annual Report of the Human Resources Committee (2017–2018)

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
BPMSD	–	Budget, Personnel and Management Systems Department
DA	–	Director’s Advisor
HR	–	human resources
HRC	–	Human Resources Committee
OGC	–	Office of the General Counsel
SES	–	staff engagement survey

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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.¹ The report covers the discussions from the seven HRC meetings held from 1 July 2017 to 30 June 2018.² The chair and members of the HRC during this period were:

- (i) Director Zhijun Cheng (chair)
- (ii) Alternate Director Mahbub Ahmed (until 1 November 2017)
- (iii) Director Anuar bin Ariffin (from 1 November 2017 to 1 January 2018)
- (iv) Alternate Director Scott Dawson (as interim for the Australian Director from 1 January 2018 to 30 June 2018)
- (v) Alternate Director Mario Di Maio (from 1 November 2017)
- (vi) Director Koichi Hasegawa (until 18 July 2017)
- (vii) Director Takeshi Kurihara (from 18 July 2017)
- (viii) Director David Murchison (until 1 October 2017) and
- (ix) Director Radha Krishna Panday (from 16 April 2018)
- (x) Alternate Director Johannes Schneider
- (xi) Alternate Director Joar Strand (as interim for the Canadian Director from 2 October 2017 to 15 April 2018)
- (xii) Director Philaslak Yuktasemwong (until 1 November 2017)

2. During the year, the HRC met with staff from the Budget, Personnel and Management Systems Department (BPMSD) as well as the Office of the General Counsel (OGC). Several human resources (HR) reforms³ and improvements in HR systems⁴ were approved in 2017 and implemented in 2018. The HRC closely followed the preparation, design, and implementation of these reforms and system changes, and commended BPMSD on the work done. The committee will continue to closely monitor the results of the reforms and changes and give guidance to BPMSD in these areas.

II. HR RESPONSES TO THE STAFF ENGAGEMENT SURVEY

3. BPMSD briefed the HRC on the background and results of the last staff engagement survey (SES) in 2015, as well as actions taken in response to it, to provide guidance in the preparations for the 2018 SES. The committee agreed on the importance of the survey, the value of comparing present with previous results, and the merit of anonymity. Topics discussed included reviewing SES best practice.

4. Key institutional priorities derived from the results of the SES include a focus on leadership development, stronger performance management, career management, and communications. The HRC discussed these priorities on several occasions, and these were incorporated into institutional and departmental action and work plans. Career development opportunities as well as diversity and inclusion were extracted and discussed further.

¹ ADB. 2009. *Establishment of the Human Resources Committee*. Manila (Appendix 1).

² The Work Program is presented in Appendix 2.

³ Recruitment reforms, staff mobility framework, performance management reforms, reforms to overseas duty station allowances, staff retirement plan reforms, group medical insurance plan reforms, and gender reform.

⁴ Information technology systems being developed: HR4U and MyCareer. The former is an online system that allows for consistent responses across benefits and services as well as tracking of inquiries, and the latter is a single point of entry for career management.

5. Committee members supported the initiative of scaling up **leadership development and training** as a response to the 2015 SES, and emphasized the importance of evaluating the programs and the results, i.e., clarifying what the impact is on ADB and on staff career progression and performance. Additionally, the committee stressed that BPMSD should ensure the right staff for specific programs and recommended that integrated leadership training be made compulsory for staff in leadership levels.

6. The HRC discussed the **mobility framework**,⁵ which was designed in response to the One ADB approach to strengthen networks, enhance career development, motivate staff, and facilitate knowledge sharing across ADB. The committee emphasized that mobility is becoming an international trend and that ADB should mainstream this initiative, analyze the considerations for the ongoing implementation, and evaluate the process for future improvements.

7. The committee discussed some of the technical aspects of the initiative, such as a rules-based rotation exercise being essential to provide the legal basis for staff movement against an approach based less on rules and more on incentives making the exercise more attractive to staff. It also debated the adoption of mobility in resident missions.

8. As regards **performance management**, BPMSD explained that the need for clarity on performance ratings and more timely feedback to help staff with performance improvement and career development had led to the performance management reform. The reform is based on review and improvement of five areas of the performance management lifecycle: individual work planning, regular feedback, the annual performance review, management of poor performance, and reward and recognition.

9. The committee considered the measures taken in these areas, including a new rating system, and the need for cultural change in the organization to focus more on feedback conversations and improvement of performance, helped along by the introduction of the midyear review. The measures were incorporated based on good practices from other multilateral development banks, international financing institutions, the private sector, and from ADB's own experience, and include the 360-degree assessment for supervisors and managers, international staff level 7 and above. The HRC reiterated the significance of this measure because it underscores the importance of senior managers taking ownership when it comes to incorporating the cultural changes in the institution.

10. In general, the committee strongly agreed that communication to staff on all the reforms, measures, and initiatives should be considered carefully.

III. STRATEGIC STAFFING

11. The objective of the **work force analysis** is to assess any imbalances between workload and allocated resources, via a structured, quantitative approach. In 2016, BPMSD mainstreamed the process to ensure that the principles driving this methodology are consistently applied across the organization.

12. The Board showed interest in the concept of "workforce optimization" following the merger in 2017 of the Asian Development Fund and ordinary capital resources, and the ensuing expectation for a scaling-up of operations. The Board indicated that ADB should first seek to

⁵ The framework consists of a long-term rotation exercise, which is open to international staff, and short-term assignments open to all staff categories (superseding development assignments).

optimize existing staffing before bringing in additional staff. BPMSD responded with initiatives such as a redeployment of positions across departments and divisions, as well as between headquarters and resident missions. Moreover, the **flexible position management reform**, approved in April 2017, provides heads of departments with greater flexibility and efficiency in meeting their business needs within existing resource envelopes.

13. BPMSD briefed the HRC on ADB initiatives to strengthen its country presence by expanding its **field operations**. More staff are being outposted to resident missions, particularly in challenging locations under the categories of “fragile and conflict-affected states” and “small island developing states”. As a result, ADB has evolved its HR practices to accommodate the shift in staff deployments, including changes to the overseas duty station allowances.

IV. RECRUITMENT AND RETENTION OF STAFF

14. The **recruitment reforms** of 2017–2018 focused on strengthening and streamlining the recruitment processes, introducing new and more efficient recruitment approaches, and strengthening ADB’s brand as the employer of choice. Some of the efficiency measures are **advanced recruitment, batch recruitment, the Experts Pool initiative, and expanding the Young Professionals Program**. The committee supported the proposed measures and explored how to best implement and further develop them. Organizations similar to ADB have implemented similar reforms, and it is possible to learn from their experiences and take on best practices.

15. As part of the institution’s **diversity and inclusion** initiatives, targets for recruiting women were raised, and stronger recruitment efforts with emphasis on women continue. Several mechanisms were adopted to strengthen both the recruitment and retention of women staff at ADB, such as leadership training and skills development targeted at women. Other initiatives that were implemented concern flexible working hours, positive branding of ADB, and streamlining of work from home. The committee closely monitored progress and gave inputs throughout the process. A gender pay gap study was conducted in response to the HRC’s request and included in the action plan to improve institutional gender equality. The results were presented to ADB, including the Board.⁶

16. The HRC expressed strong support for and closely monitored developments in the **Experts Pool**. While the initiative aims at closing gaps in skills and bringing cutting-edge skills to ADB, it focuses on specific skills, not broad sectors. Knowledge sharing and capacity building are important components of the initiative, and at the same time it underpins the One ADB approach since the experts brought on board may work with several departments, work on projects, assist in processing, do knowledge sessions, and work on knowledge products. Committee members discussed how to extract as much knowledge as possible from the experts, how to mainstream the knowledge sharing and capacity building, and how best to leverage the knowledge.

V. SALARY PAPER

17. BPMSD briefed the HRC on the paper for the annual review of salaries and benefits for international, national, and administrative staff prior to Board discussion and approval in November, to encourage deliberation and guidance as well as input in the methodology and focus areas.

⁶ An informal Board briefing on the gender pay gap study was held on 21 September 2018. The study and report were prepared by Willis Towers Watson.

18. Salaries are calculated using a market-based approach. For international staff, the comparator is the World Bank Group. As a result of a request from the Board last year, a sense check looking at some of the Asian markets was carried out. For national and administrative staff, 20 local organizations are used as comparators (their number was raised by request from the Board last year as well). An external survey provider, Willis Towers Watson, is being used for this review. For the national and administrative staff of field offices, both the World Bank Group and local organizations are used.

19. Discussing the methodology, the committee expressed concern that only one main comparator organization is being used for international staff, even though said comparator utilizes other international financial institutions as part of its comparative methodology. The HRC noted that the main comparator organization was undertaking a fundamental review of its methodology and this could have an impact on ADB. The committee advised that ADB bring forward some parts of the comprehensive review of salaries and benefits with the aim of developing its own independent methodology, including more than one comparator organization for international staff.

VI. OTHER MATTERS

A. Philippine Staff Tax Case

20. The HRC requested to be updated on the status of the legal proceedings involving Philippine national staff members who are pursuing legal proceedings to overturn the Bureau of Internal Revenue's Memorandum Order. The Memorandum Order sought to require Philippine national staff members to pay income tax on their ADB salaries.

21. BPMSD and the OGC briefed the committee on the status of the legal proceedings before the Supreme Court of the Philippines and the Court of Tax Appeals. ADB's position on this matter has remained unchanged since the outset of the proceedings and is based on the following: the issue of income taxes is a matter between staff and their national governments; ADB staff are expected to observe all applicable laws and regulations of relevant countries, including national tax laws to which staff may be bound; it is the responsibility of all staff to determine their tax obligations in the country applicable to them, and to comply with them.

B. Director's Advisor

22. The OGC, the Office of The Secretary, and BPMSD have worked on clarifying the status of the Director's Advisors (DAs) at ADB, and the applicability of certain staff rules to them, specifically: (i) creation of a new category of "Board staff"; (ii) clarification on DAs' training; and (iii) granting of more flexibility for travel and/or missions. Several consultations and discussions were held with the HRC, the Board, and the DAs. The Administrative Order that provides for DAs was amended, with the revisions effective from 1 August 2018.

VII. RECOMMENDATION

23. 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 to achieve its mandate.
- (ii) Review any external evaluations of ADB's human resources strategy and policies pertaining to the issues set out in item (i) and report to the Board its findings and recommendations.
- (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 (at least one per 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, 2017–2018

Meeting Date	Discussion Topics
18 August 2017	Strategic Staffing Update Performance Management
28 September 2017	Recruitment Reforms HR Systems Update Overseas Duty Station Allowances (ODSA) Review
9 November 2017	Staff Engagement Survey Leadership Training
28 November 2017	2017 Salary Paper
9 March 2018	Recap of HR Reforms in 2017 HRC Agenda for 2018
19 April 2018	Performance Management
28 June 2018	Staffing Initiatives, including Experts Pool Update on Mobility Framework Implementation