

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ANNUAL REPORT OF THE CHAIRPERSON
ORGANIZATION, HUMAN RESOURCES AND BOARD MATTERS COMMITTEE
JULY 1, 2015 – JUNE 30, 2016

**Annual Report of the Chairperson
Organization, Human Resources and Board Matters Committee
July 1, 2015 – June 30, 2016**

The Organization, Human Resources and Board Matters Committee (OHRA) met on 22 occasions. From this total, 15 meetings were held in formal session and seven in informal sessions. Two meetings were jointly held with the Audit Committee, and two meetings were held in executive session.

In accordance with the terms of reference of the OHRA, during my tenure the Committee considered issues in the following areas: (i) Organization; (ii) Human Resources; (iii) Board matters; (iv) Information and Communications Technology; and (v) other specific matters.

Organization

In the first quarter of 2016, the Committee considered Management's proposal to adjust the organizational structure of the Vice Presidency for Sectors and Knowledge (VPS), and recommended to the Board the approval of the following changes: (i) create a new department within VPS (Climate Change and Sustainable Development - CSD); and (ii) reclassify the Labor Markets and Social Security unit as a division; and (iii) reclassify the Trade and Investment unit as a division ([GN-2845-1](#) and [GN-2845-2](#)). Committee members encouraged Management to continue the efforts to mainstream climate change and sustainability issues in the Bank's operations and day-to-day business, and stressed the importance of enhancing collaboration among divisions and within the IDB Group on these issues.

Human Resources

a) Total Rewards Framework (TRF)

During my predecessor's tenure, the Board of Directors retained Mercer/Oliver Wyman (Mercer) consultants to evaluate the Bank's Total Rewards Framework (TRF) that was adopted in 2011. In the second semester of 2015, Mercer presented its analysis and recommendations through the delivery of two reports ([GN-2799-6](#) and [GN-2799-8](#)). At the request of OHRA, Management subsequently commented on the consultant's recommendations and developed an action plan with the objective of updating the TRF in 2016 ([GN-2799-7](#) and [GN-2799-11](#)). Following that action plan, in 2016 the Committee held two informal meetings, one on segmentation ([GN-2799-12](#)) and the other on salary increase methodology and variable pay ([GN-2799-14](#)). In addition, the Committee took note of the results of the Total Remuneration Study, conducted by Wills Tower Watson, which provided a competitive assessment of combined compensation and core benefits ([GN-2799-13](#)).

At the last OHRA meeting in June 2016, Management presented the key lines of work aimed at refreshing the TRF ([GN-2799-14](#)). The Committee's feedback on this matter, as well as the TRF review by Mercer, and the comments received by Management in the OHRA's informal and formal meetings stemming from the 2016 action plan, would serve as input for the preparation and consideration of the TRF update. This proposal would be presented by Management in September 2016 for the consideration of the Committee and subsequent approval by the Board.

b) Salary Structure Increase and Annual Salary Adjustment Budget Envelope

As in previous years, the OHRA considered Management's recommendations for the Salary Structure Increase (SSI) and Annual Salary Adjustment Budget Envelope (ASABE) for International and National Staff ([GN-2624-22](#) and [GN-2624-23](#)). Committee members agreed that the proposal was consistent with the methodology approved by the Board in 2011 as part of the TRF, while some members requested to discuss other options for 2016 salary change at the Budget and Financial Policies Committee. The validation of the methodology by the ORHA served as input for the 2016 budget discussions in the Budget and Financial Policies Committee.

c) Appointments

Concluding a process led by my predecessor, in July 2015 the Committee made a recommendation to the Board on the Appointment of the Director of the Independent Consultation and Investigation Mechanism (ICIM) ([GN-1830-74](#)).

In August 2015 the Committee was updated on the selection process for the position of the Executive Secretary of the Bank's Administrative Tribunal. Given that the selection and hiring process would extend beyond the termination date of the former Executive Secretary's contract of employment, a proposal for a contract extension until December 31st, 2015 was considered by the Committee by streamline procedure, and subsequently approved by the Board ([GA-76-47](#)). Afterwards, in my capacity as Chairperson of the Administrative Tribunal Nominating Committee, in November 2015, I presented to the OHRA a proposal recommending the appointment of the Executive Secretary of the Administrative Tribunal of the Bank as of 16 January 2016. Committee members endorsed the proposal ([GA-76-48](#) and [GA-76-49](#)), which was subsequently approved by the Board.

d) Labor Dispute Resolution System

During the first semester of 2016, the Committee took note of Management's update about a case of the Administrative Tribunal, a presentation on the Bank's Labor Dispute Resolution System and the role of the Administrative Tribunal ([GA-76-50](#)), and an overview on the function of the Ombudsperson ([GN-2852](#)).

At the request of the OHRA, in May 2016 the Audit Committee included a new engagement in the revised 2016 Risk Based Audit Plan related to the review of the administrative budget execution and human capital management practices of the Bank Group's Administrative Tribunal ([GN-2834-3](#) and [GN-2834-4](#)).

e) Risk Appetite for the Bank's Retirement Plans

The Organization, Human Resources and Board Matters Committee and the Audit Committee considered the document - Risk Appetite for the Bank's Retirement Plans to continue the analysis and reform process of the IDB Retirement Plans.

The Committees agreed to the recommendation to define the risk appetite for the Plans with two metrics: (i) a long-term risk appetite metric - a maximum difference between Expected and Required Returns of 1.0%, and (ii) a short-term risk appetite metric - an upper limit on Active Risk of 18.5%, measured quarterly as a 3-year moving average. These limits should not be considered as targets, but rather as maximum levels. (GN-2599-40)

The members of the Committees emphasized the importance of managing the Plans with prudence to minimize the potential impact on the Bank's balance sheet and welcomed the provisions to initiate discussions with the Board and take corrective measures, should the limits for the metrics be exceeded.

The next steps regarding the Plans' reform process would be the presentation of a proposal for stable Bank contributions rates for the next five years and a revised version of the Pension Plans Investment Policy based on a new Asset Liability study

Board Matters

Two sets of amendments to the "Consolidated Procedures and Terms of Reference of the Standing Committees of the Board of Executive Directors" were submitted to the Committee. The first proposal reflected the amendments agreed by the Steering Committee on subjects related to the tenure of the position of the Dean, the timing of the retreat of the Board, and the attendance to the meetings of the Steering Committee ([DR-525-37](#) and [DR-525-38](#)). The second amendment, considered and agreed upon by the Steering Committee in April 2016, aimed at allowing the Chairperson of the Committee of the Board of Executive Directors of the Inter-American Investment Corporation (IIC) to attend the meetings of the Steering Committee ([DR-525-40](#) and [DR-525-41](#)). Both recommendations were considered by the ORHA and approved by the Board.

As a result of the Audit Report to the Budget Execution in the Board of Executive Directors – June 2015 ([GN-2793-4](#)), the OHRA agreed to request that Management review the Action Plan contained in the aforementioned document, as well as the "Procedures for Reporting Annual, Personal, Sick, and Special Leave" and resubmit the last one for OHRA's consideration by streamlined procedure. Subsequently, it was approved by the Board ([GN-2822-1](#) and [GN-2822-2](#)).

In line with the Board of Executive Directors Budget Guidelines ([GA-202-11](#)), in my capacity as Committee Chairperson, I presented to the Steering Committee the Board of Executive Directors' Knowledge and Learning Plan for 2016, prepared by the Knowledge and Learning Sector (KNL). The Steering Committee approved the proposed plan ([DR-776-4](#)) with some additional activities discussed at the 25 February 2016 Steering Committee meeting.

Information and Communications Technology

During my tenure, Committee members received three updates on the progress of the Optima Program ([PP-267-9](#), [PP-267-10](#) and [GN-2786-3](#)). In the last update on May 2016, Management indicated that the program was on track and within the approved budget and both workstreams (Optima Corporate SAP and Optima Operations Convergence) were progressing according to plan.

With regard to the Bank's Information and Technology (IT) Strategy, in July 2015 the Committee took note of the interim status update on the 2012-2015 IT Strategy ([GA-182-30](#)). In June 2016, Management presented the vision and components proposed for the new Digital Strategy 2016-2020 with the objective of receiving the Committee's feedback for the preparation of the proposal that would be presented in September 2016 ([GA-182-31](#)).

Other matters

In July 2015 the Office of the Secretary (SEC) presented to the OHRA the letter received from the Ministry of Finance of Singapore declining the invitation for membership at the Bank ([GN-2698-6](#)). SEC summarized the different negotiation phases with the Government of Singapore and drew some lessons learned from that experience ([PP-416-1](#)). The Committee took note of the presentation and welcomed SEC's proposal to draft a report with lessons learned from this experience and to review or develop more clear criteria for new memberships in the future.

Continuing the analysis and reform process of the IDB Retirement Plans, in July 2015 the OHRA and the Audit Committee met jointly to consider Management's proposal regarding the Risk Appetite for the Bank's Retirement Plans. In a joint chair report ([GN-2599-41](#)), the Committees' Chairpersons recommended the approval of Management's proposal to define the risk appetite for the Plans with two metrics, as explained in document [GN-2599-40](#).

Conclusion

Under the leadership of my successor, the OHRA will have the important role of considering key institutional proposal: the TRF update, the Human Capital update, and the new Digital Strategy. These proposals will have the potential of strengthening the Bank's capacity to achieve the goal of improving lives in Latin America and the Caribbean. I wish the new Chairperson and Committee members the best in these endeavors.

Finally, I would like to thank all Committee's members for their collaboration in fulfilling the OHRA's terms of reference, as well as Management and SEC staff for their support in the planning and execution of the Committee's work program.