

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ANNUAL REPORT OF THE CHAIRPERSON OF THE
ORGANIZATION, HUMAN RESOURCES AND BOARD MATTERS COMMITTEE**

1 JULY 2018 – 30 JUNE 2019

**Annual Report of the Chairperson
Organization, Human Resources and Board Matters Committee**

1 July 2018 – 30 June 2019

The Organization, Human Resources and Board Matters Committee (OHRA) met on 23 occasions between 1 July 2018 and 30 June 2019. Of this total, 13 meetings were held in formal sessions and 10 in informal sessions. Seven meetings were jointly held with the Budget and Financial Policies Committee (BUFIPOL), and three meetings were jointly held with the Committee of the Board of Executive Directors of the IIC.

In keeping with its terms of reference, OHRA considered issues related to the organization of the Bank, human resources, information and communications technology, Board matters, the Board of Governors and Annual Meeting, and other specific matters. Below is a summary of subjects considered during my tenure.

Organization of the Bank

1. Proposal to Change the Basic Organization of the Bank: Creation of the Knowledge, Innovation, and Communication Sector. Revised version

On 30 May 2018, the Board of Executive Directors approved a proposal to change the Basic Organization of the Bank through the creation of the Knowledge, Innovation, and Communication Department (KIC) (document GA-232-46), consolidating the activities carried out by the Office of External Relations (EXR), Knowledge and Learning Sector (KNL), and the Digital Economy Initiative (DEI).

At an OHRA meeting on **23 July 2018**, the Committee considered the changes that would need to be made to the document and proposed resolution approved by the Board of Executive Directors on 30 May 2018, including naming KIC a “Sector” instead of a “Department”, in line with other Vice Presidency for Sectors and Knowledge (VPS) organizational units, and other adjustments.

Following deliberations, the Committee agreed to consider a revised version of the proposal under the streamlined procedure. As no comments were received on the revised version of the document before the deadline for the streamlined procedure, in my capacity of OHRA Chairperson, I recommended the Board of Executive Directors to approve the revised version of document GA-232-48 and its corresponding resolution at its 31 July 2018 meeting.

Human Resources

2. 2019 Recommendations for Compensation-based Rewards and Recognition for International and National Staff

The Committee considered the 2019 Recommendations for Compensation-based Rewards and Recognition for International and National Staff (document GN-2624-33) at its **7 November 2018** meeting. The Committee members concurred that the recommendations proposed by Management had been formulated in accordance with the Total Rewards Framework (TRF) methodology approved by the Board of Executive Directors in October 2016 (document GN-2799-16). In this regard, the Committee agreed that these recommendations be included as input to

the Annual Program and Budget Proposal to be submitted to BUFIPOL for consideration and to the Board of Executive Directors for approval as part of the 2019 budget process. This formal meeting was preceded by an informal session held on **4 October 2018** to give the Directors a better understanding of how the Human Resources Department applied the TRF methodology.

As in previous years, some Executive Directors reiterated their preference that the decision on the salary increase be separated from the budget proposal. These Directors also reaffirmed their position that the TRF methodology should not be used to automatically make salary increase recommendations.

3. Flexible and Efficient Workforce Management Framework

The Committee first discussed the topic of workforce flexibility in 2011 in the context of the Human Capital Strategy (GN-2606-5). Since then, the Committee has held informal and formal meetings to discuss matters related to the Bank's workforce, the headcount control methodology, and the mix of consultants and staff. Some of these have been joint meetings of OHRA and BUFIPOL, while others have been joint meetings with the IIC or technical briefings.

In June 2018, Management presented to ORHA and BUFIPOL a conceptual approach for a flexible and efficient workforce management framework (GN-2606-17). The Committees endorsed the principles in the conceptual approach and the development of a formal proposal to be submitted to the Committees for consideration. On **7 December 2018**, at a joint informal meeting of ORHA and BUFIPOL, Management requested feedback from the Executive Directors on a draft of the proposal for a more flexible and efficient workforce management (GN-2606-18). The Committees welcomed the document and requested further information on: (i) the capacity to meet growing business demands; (ii) the proposed shift in the Staff Labor Cost (SLC)-Complementary Labor Cost (CLC) ratio; (iii) the implications for the pension fund; and (iv) SLC-CLC ratios at other MDBs.

On **8 February 2019**, at an OHRA informal meeting, Management responded to the Committees' request for additional information by presenting details on SLC costs, including information regarding the cost relationship of consultants and staff; a budget simulation for 2020-2022; and the implications the proposed changes would have on the pension fund (GN-2606-19). The Executive Directors supported the proposal and suggested several changes to be included in the final document.

On **15 March 2019** ORHA and BUFIPOL met formally to consider the new version of the Flexible and Efficient Workforce Management Framework (GN-2606-20). The Committee members highlighted the close coordination between Management and the Board in the preparation of the proposal over the course of recent years and welcomed the incorporation of the Executive Directors' input into the final document. The Committees lauded the clarity of the document and underscored specific aspects of the framework, such as the budget neutrality, the inclusion of a review after 3 years, the gradual shifts in the workforce mix, and the requirement for Board approval of SLC-CLC ratios.

Nonetheless, the Executive Directors emphasized the importance of avoiding administrative budget growth and the need for monitoring of the evolution of staffing costs. In this regard, several Committee members noted that the annual budget discussion and budget execution reports would be key points of control in terms of assessing the ratio of SLC-CLC and the suitability of the pre-identified limits for SLC, CLC and Non-Labor Cost (NLC).

At its 21 March 2019 meeting, the Board of Executive Directors endorsed the recommendations detailed in document GN-2606-21 (Flexible and Efficient Workforce Management Framework. Revised version).

Information and Communications Technology

4. 2016-2020 Information Technology Progress Report

The Committee met on **17 June 2019** to consider the 2016-2020 Information Technology Progress Report (GA-182-36). The Board of Executive Directors approved the “IDB Group Information Technology Strategy 2016-2020: Moving to Digital” (GA-182-32) on 28 September 2016. The Strategy enables and supports the development of three pillars: (1) operational efficiency; (2) open data and knowledge, collaboration, and communications management; and (3) enhancing IDB capabilities to foster digitalization in the region.

Recognizing the increasing relevance of technology in the IDB Group’s activities, Committee members welcomed the report and expressed satisfaction with the overall progress in the implementation of the IT Strategy.

Committee members expressed interest on the following topics: (i) engagement with vendors, including start-ups; (ii) evolution of licenses and maintenance costs; (iii) staff incentives for IT support and advisory services; (iv) coordination of IT projects and new technologies with different Bank units; (v) client relationship and feedback from internal and external users; (vi) connectivity among Country Offices; (vii) implementation of Salesforce; (viii) social media interaction; and (ix) IT challenges ahead.

Executive Directors reiterated their interest in learning about the impact of IT solutions in terms of operational efficiency and cost savings. In this regard, Management was asked to continue working on the development of a robust matrix of indicators to report on the impact and outcomes of the IT Strategy.

Board Matters

5. New Approval Procedures for Sovereign Guaranteed IDB Projects. Preliminary Assessment

On 21 June 2018, the Board of Executive Directors endorsed the recommendations to streamline approval procedures for sovereign guaranteed operations, as set forth in document GN-1838-3. According to the proposal, the criteria and procedures for the approval of sovereign guaranteed operations would be revised by the Board every two years, or earlier if requested by the Steering Committee, and an initial stock taking exercise to consider the effect of these changes would take place in January 2019.

OHRA met on **11 March 2019** to consider a preliminary assessment of the new approval procedures for sovereign guaranteed IDB projects (GN-1838-5), prepared by the Office of Strategic Planning and Development Effectiveness (SPD).

The Committee members acknowledged the positive outcomes achieved during the adoption of the new approval procedures for sovereign guaranteed operations and confirmed their interest in continuing to monitor these results. Main comments from that discussion included: (i) the need to continue to concentrate efforts to alleviate the year-end bunching; (ii) the interest in learning about Management’s experience with the new procedures and how this complemented the use of the

Board Platform; and (iii) the consideration of operations from all three IDB Group windows in the next assessment.

In addition, some Committee members recalled that the new approval procedures were part of package of initiatives aimed at promoting Board efficiency and allowing more time for the Executive Directors to focus on strategic and emerging issues. In this regard, some chairs reiterated their interest in seeing the Board move forward with this agenda and continue to devote time for these discussions.

6. Consolidated Procedures and Terms of Reference of the Standing Committees of the Boards of Executive Directors of the IDB and IIC

The process to consolidate the rules and procedures of the Committees of the Board of Executive Directors of the IIC and the Bank, along with other amendments as appropriate to establish shared governance started in 2017.

In the past 12 months, this matter was discussed by OHRA and the Committee of the Board of Executive Directors of the IIC in two occasions: an informal session held on **8 February 2019** and a formal meeting on **24 June 2019**.

During the informal session the Committees discussed an oral proposal by the OHRA Chairperson outlining a few principles to establish IDB and IDB Invest shared governance in the Steering Committee, along with other amendments in areas such as chairpersons' term, eligibility and selection, rotation and borrower/non-borrower representation. Committee members welcomed the opportunity to discuss the consolidated procedures and asked Secretariat to prepare a revised version of the document in line with the principles presented by the OHRA Chairperson.

During the formal meeting on **24 June 2019**, the Committees reached consensus on how to appoint the Dean and Vice Dean, for both the IDB and IDB Invest, and the Committees resolved to continue working on other aspects of the document, with the view to recommend the approval of a new version of the procedures as soon as possible.

Board of Governors and Annual Meeting

7. Proposal for the celebration of the Sixtieth Anniversary of the Bank

At the Annual Meeting in Mendoza, Argentina, the Board of Governors approved Resolution AG-6/18, resolving under Section 1.2 to hold a special meeting of the Board of Governors of the Inter-American Development Bank, hereby inviting the Board of Governors of the IIC, to celebrate the Sixtieth Anniversary of the IDB at the Bank's Headquarters in Washington, D.C., to take place in 2019 on such dates as the Board of Executive Directors of the Bank shall determine.

At its meeting on 18 September 2018, the Steering Committee asked the Office of the Secretary (SEC) to prepare a proposal for the celebration of the Bank's Sixtieth Anniversary, in consultation with the Board's constituencies, to be considered by the Board of Executive Directors in November.

On **19 November 2018**, ORHA and BUFIPOL considered SEC's Proposal for the Celebration of the Sixtieth Anniversary of the Bank (document GN-2937) and expressed their preference for Option A, as described in the document. They also agreed with the proposed dates for the events.

Following the Committees' recommendation, at its 28 November 2018 meeting, the Board of Executive Directors authorized the allocation corresponding to the budget amount of Option A, for the activities of the Sixtieth Anniversary of the Bank, and that this amount be reflected in the Proposed Resolution included in the 2019 Administrative Budget Proposal (see document GA-269-3 and Resolution DE-131-18).

On **13 February 2019**, OHRA and BUFIPOL met jointly to consider the proposal for the Activities of the Sixtieth Anniversary of the Bank (document GN-2937-2). The Committees expressed their general support for the proposed activities, and the Executive Directors reaffirmed their commitment to the successful recognition of the Sixtieth Anniversary of the Bank. Underscoring the importance of the Bank's 60 years of development work in the region, the Committee members highlighted that this anniversary presents a special opportunity to engage a broad spectrum of leaders and stakeholders to reflect on the institution's past as well as setting a vision for the years to come. Upon the Committees' recommendation, the Board of Executive Directors approved SEC's proposal at its 28 February 2019 meeting.

In response to the Committees' interest in continuing to receive further information as the organization of the event advances, SEC presented updates in two informal meetings, held on **11 March 2019** (audiovisual presentation PP-922-2) and **6 May 2019** (oral presentation). Furthermore, SEC presented additional informal on its proposal, based on the feedback received by several Chairs, at a formal meeting on **29 May 2019**. During this meeting, the Committee members confirmed their general agreement with the proposed program and welcomed the consolidation of the agenda over three consecutive days. The Committee also highlighted several aspects that they valued in the proposal, including: (i) the revised format of the opening session to give the Governors the opportunity to engage in the first day; (ii) the possibility of transferring invitations from Heads of State/Government to high-level officials, giving the opportunity to all member countries to be represented in the closed session, while maintaining the high-level essence of the event by limiting official statements to Heads of State/Government; (iii) the ability to engage the private sector and academia in the first day's thematic seminars, as well as the civil society and other strategic partners on the second day; and (iv) the consolidation of the cultural activities into a one-day event and the inclusion of all IDB Group staff and their families. They also took the opportunity to present additional comments and suggestions and requested SEC to continue to provide updates to OHRA as the preparations for the event unfold.

8. Site and date of the Sixty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank, and Thirty-fifth Annual Meeting of the Board of Governors of the Inter-American Investment Corporation

OHRA met on **13 February 2019** to consider the report presented by SEC about the site and date of the of the Sixty-First Annual Meeting of the Board of Governors of the Inter-American Development Bank, and Thirty-fifth Annual Meeting of the Board of Governors of the Inter-American Investment Corporation (document GN-2942).

The Committee expressed its support for SEC's recommendation to hold the 2020 Annual Meeting in Barranquilla, Republic of Colombia, from 18 to 22 March 2020. It also expressed its agreement to include in the proposed resolution to be submitted to the Board of Governors the offer by the Government of Chile to host in 2021 the Sixty-second Annual Meeting of the Board of Governors of the Inter-American Development Bank, and Thirty-six Annual Meeting of the Board of Governors of the Inter-American Investment Corporation.

Following OHRA's recommendation, the Board of Executive Directors submitted to the Board of Governors, for consideration, the draft resolution attached to the revised version of the report

(document GN-2942-1), and the Governors approved that the 2020 Annual Meeting be held in the city of Barranquilla, Republic of Colombia, from 18 to 22 March, and that the 2021 Annual Meeting be held in Chile.

9. Sites and Dates of Future Meetings of the Board of Governors of the Inter-American Development Bank

The Committee met on **29 May 2019** to consider the document “Proposed Resolution. Sites and Dates of Future Meetings of the Board of Governors of the Inter-American Development Bank,” which recommended that the Board of Executive Directors submit for consideration of the Board of Governors the decision to cancel the Special Meeting of the Board of Governors, scheduled to take place in Washington D.C. in October 2019.

This proposed resolution was presented in response to OHRA’s request at its **6 May 2018** informal session to discuss the activities for the celebration of the Sixtieth Anniversary of the Bank (document GN-2937-2). On that occasion, several Executive Directors recommended reevaluating the need to organize a Special Meeting of the Board of Governors in October, considering that the 2019 Annual Meeting in Guayaquil would take place in mid-July. Therefore, the Committee requested that Management submit a proposal to cancel the Special Meeting, which had been approved by the Board of Governors during its 2018 Annual Meeting in Mendoza, Argentina.

Members of the Committee unanimously endorsed the recommendation and requested that Governors be given sufficient time to cast their votes. The Board of Executive Directors approved the proposed resolution submitting to the Board of Governors, for consideration by the procedure of taking a vote without calling a meeting, a proposed resolution stating that the celebration for the Sixtieth Anniversary of the Bank at the Headquarters in Washington, D.C. shall not include a Special Meeting of the Board of Governors.

Other matters

10. Overview of the Office of the Ombudsperson and 2017 Annual Report

ORHA held a joint meeting with the Committee of the Board of Executive Directors of the IIC on **23 July 2018** to discuss the Overview of the Office of the Ombudsperson and the 2017 Annual Report.

The Committees welcomed the presentation on the overview of the Office of the Ombudsperson (OMB) and the 2017 Annual Report. This was the first year in which this presentation was made to both the ORHA and the Committee of the Board of Executive Directors of the IIC. In previous years, the Ombudsperson had presented this report to ORHA – last time in 2016 – and will continue to present it to both Committees every other year.

Committee members highlighted the important role that the OMB played in the IDB Group as a confidential, impartial, informal and independent recourse to help employees to address their workplace issues and concerns. They also valued the feedback given by OMB to the IDB Group Management on general trends emerging from casework.

11. Work Program and Budget Proposal of the Administrative Tribunal of the Inter-American Development Bank Group for 2019

The Committee considered the Work Program and Budget Proposal of the Administrative Tribunal for 2019 (document GA-270) at its **22 October 2018** meeting.

The Committee members welcomed the progress achieved over recent years in terms of the interaction between the Executive Directors and the Tribunal. Furthermore, the Directors lauded the Tribunal's budget discipline, efforts to reduce non-labor costs, and its outreach and analytical work.

12. Selection Process and Recommendation for the Position of the Executive Secretary to the Administrative Tribunal

OHRA met on **6 May 2019** to consider whether to endorse the Administrative Tribunal Nominating Committee's proposal regarding the appointment of the Executive Secretary of the Administrative Tribunal of the Inter-American Development Bank Group.

Given that the term of the current Executive Secretary's contract of employment expired on 30 June 2019, the Nominating Committee undertook the process of recruiting and selecting candidates for the position. Following a thorough recruitment process, the Nominating Committee presented Ms. Giuliana Canè as the recommended candidate for the position of Executive Secretary of the Administrative Tribunal, for a second term.

The Committee members unanimously endorsed the Nominating Committee's recommendation and recommended that the Board of Executive Directors approve the appointment of Ms. Giuliana Canè as Executive Secretary of the Administrative Tribunal for a fixed term of three years, as of 1 July 2019.

The Board of Executive Directors approved the appointment on 5 June 2019. The Chair for Mexico conditioned its support to the inclusion in the OHRA's 2019/2010 work program, of the discussion of evaluation criteria for the position of the Executive Secretary.

13. Procedures for Board travels on IDB Business

The Procedures for Directors' Travel on IDB Business (document DR-568-3) was approved by the Board of Executive Directors on 2 June 2004. Bearing in mind the convenience to update these procedures, the Steering Committee mandated OHRA to consider the issue of a potential review. In response to this mandate, the Committee held an informal meeting on **26 February 2019** to start the consideration of this matter and a formal meeting on **10 June 2019** to consider a third revised version of the Procedures for Directors' Travel on IDB Business (document DR-568-6). This discussion was preceded by a presentation with an analysis of the travel of Board members on official business (audiovisual presentation PP-962).

The Committee members expressed their general agreement with the proposal and emphasized that it was key to ensure transparency in matters related to business travel. Directors reaffirmed the benefits of traveling on IDB business and the importance of sharing the lessons learned from these trips among Board members. They also mentioned the need for all Chairs to be equally informed of the different types of travel undertaken by Board members.

Considering the lack of consensus in a few proposed changes, such as limiting the number of group travels, a revised version of the Procedures was distributed by streamlined procedure on 27 June 2019. In response to clarifications requested by the Chair for Bolivia, Paraguay, and Uruguay, a fifth revised version was distributed on 9 July, also by streamlined procedure. As no objections were received by the procedure deadline, the document was elevated to the Board and approved on 31 July 2019. The Committee agreed to adopt these revised procedures as a pilot and review them in a year, based on new data.

14. Increasing IDB's Internal Efficiency: Building a More Effective Organization in Partnership with the Region – GN-2927

OHRA and BUFIPOI held a joint informal meeting on **24 July 2018** to consider the presentation "Increasing IDB's Internal Efficiency: Building a More Effective Organization in Partnership with the Region" (GN-2927), prepared by the Office of the Vice President for Finance and Administration (VPF).

The Ninth General Resource Increase, approved in 2010, called for continuing the progress made with the 2007 realignment and expanding the IDB's ability to deliver the products and results of a larger organization while making more efficient use of its resources. As new mandates and areas of work have emerged, the Bank has generated new mechanisms to gain efficiency in its administrative budget and innovative ways to ensure the sustainability of its capital model. In this presentation VPF provided an overview of where the Bank stands in terms of efficiency gains, how these gains have contributed to effectiveness, and what direction it intends to take, taking into account the economic challenges for the Latin American and Caribbean region. This presentation served as an introduction to discussions on the IDB's 2019 budget.

15. Heads of Special Offices: Topics for consideration

In response to OHRA's request, Management organized a technical briefing on **11 April 2019** to present a summary of the recruitment and conditions for employment for the Heads of Special Offices: the IDB's Administrative Tribunal, the Independent Consultation and Investigation Mechanism (MICI), the Office of Evaluation and Oversight (OVE), the Office of the Executive Auditor (AUG), and the Office of Institutional Integrity (OI) (audiovisual presentation PP-953).

During that meeting, Executive Directors raised comments and questions regarding the following issues: (i) comparison with other MDBs (evaluation, terms and conditions for these positions); (ii) the need to create a protocol to communicate with the Board regarding the timing of contract renewals; (iii) homogenize the terms of these positions (term, evaluation, hiring), as much as possible; (iv) establish clear criteria to evaluate personnel in these positions; and (v) governance of the nominating Committees, in particular, their powers.

At an informal meeting on **27 June 2019**, the Committee met to consider Management's recommendations regarding: (i) advance formal written notice to the Board on expiration of appointments; (ii) performance evaluations for MICI Director and for the Executive Secretary of the Administrative Tribunal; and (iii) maximum duration and possibility of fixed-contract renewals of the Executive Secretary of the Administrative Tribunal. Management was asked to return to the Committee with a proposal detailing these recommendations and addressing requests for additional information.

Conclusion

To my successor, I wish the best of success in overseeing the discussion and consideration of the important items included in OHRA's work plan for 2019-2020.

I would like to express my gratitude to all Committee members for their work in fulfilling 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 in this period. I would also like to thank Director Machicao and Director Díaz Granados, with whom I had the pleasure of co-chairing Committee meetings over the past year.