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Human Resources Committee

2010 Annual Report to the Board of Executive Directors

October 2010

2010 ANNUAL REPORT TO THE BOARD OF EXECUTIVE DIRECTORS

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HUMAN RESOURCES COMMITTEE
2010 ANNUAL REPORT TO THE BOARD OF EXECUTIVE DIRECTORS

I. INTRODUCTION

1. This report provides an overview of the main issues discussed by the Human Resources (HR) Committee (herein after referred to as “the Committee”) from November 2009 through October 2010. The Committee’s mandate encompasses all significant human resources (HR) policy issues per its Terms of Reference, which are attached as Annex 1.

2. **Membership.** The Committee was constituted in November 2008, and was composed of Messrs. /Ms. Dib, Fayolle, Hagan, Hayashi (succeeded Mr. Shikibu in August 2010), Moorehead, Ong Seng, Rojas, and Vithespongse (replaced Ms. Renteria in August 2009). Mr. Dib and Mr. Fayolle were Chairman and Vice Chairman respectively.

3. **Work Program.** The Committee met 10 times between November 1, 2009 and October 31, 2010. This included two joint meetings with the Budget Committee. In addition, it held its annual retreat in February and two informal lunches. The Vice Presidents of HR from the Bank and IFC, other senior management and staff, and representatives of the Staff Association regularly attended the Committee meetings.

4. The Committee informed the Board of the results of its deliberations through: (i) Committee Reports to the Board, which flag major issues and help to guide and focus Board discussions; (ii) minutes of all formal meetings; (iii) monthly reports to the Steering Committee on the Committee work program; and (iv) the Annual Report to the Board of Executive Directors. The list of meetings is attached as Annex 2.

5. **Acknowledgement.** The Committee expresses its appreciation to Management and staff of the HR Vice Presidencies of the Bank and IFC, Legal Vice Presidency, and the staff of the Corporate Secretariat for their assistance in enabling the Committee to carry out its work. The Committee also thanks the Staff Association for sharing its views on the human resource matters that came before it.

II. HUMAN RESOURCES MANAGEMENT

6. The Committee held six discussions on the World Bank Group (WBG)’s HR strategy and its implementation, including Bank and IFC specific HR strategies to meet their differentiated business needs. It considered HR management for a global institution in the context of ongoing reform efforts to enhance the WBG’s operational effectiveness, efficiency, and responsiveness to client country needs, including through strengthened field presence. Members remarked on the importance of addressing the questions of appropriate balance of staff between the headquarters and country offices, the role of headquarters and country office staff, and cost implications of deploying more staff to the field. The Committee took note of the opportunity for the whole WBG to learn from IFC’s decentralization experience in line with its 2013 vision.

7. The Committee held focused discussions on the WBG’s approach to staff recruitment and deployment of staff. This included consideration of the balance between attracting and retaining staff on the one hand and staffing flexibility on the other; and the Bank’s strategy to enable placing the right people

in the right jobs at the right time. In this connection, the Committee discussed the competitiveness of the WBG as an employer, the challenges of recruiting and retaining certain skill sets, and the staffing needs of the Bank and the IFC. The Committee remarked on the importance of clustered recruitment, such as the Young Professional program for attracting top talent, as well as enhancing the diversity of staff. Members also stressed the importance of effective management of staff mobility and careers in the context of further decentralization. In this respect, the Committee observed the need to continue to take into account family issues in support of a more globally mobile workforce. Moreover, the Committee considered the appropriateness of the current staffing framework for a global organization. Overall, it supported the ongoing efforts toward a strengthened corporate approach to HR management, including to build a stronger pipeline of talent, both technical and managerial.

8. The priority of strengthening staff performance management, including to further differentiate staff performance and to deal effectively with low performance was underlined by the Committee. In various discussions, the evolving role of country office staff in a more decentralized Bank was noted. As well, compensation and benefit, and career development of country office staff was considered. Viewing staff diversity and inclusion as a key strength of the WBG, the Committee reviewed and looked forward to strengthened efforts to ensure a staffing composition that is gender balanced and representative of diverse nationalities (including nationalities of focus), educational, and linguistic backgrounds.

9. Going forward, the Committee encouraged the appropriate sequencing of efforts to modernize the HR strategies and systems, aligned to the ongoing WBG reform initiatives and the post crisis directions. It acknowledged the challenges faced by WBG management to keep the “trains running” while working on enhancing the HR systems and policies within a flat budget environment and a declining HR budget. In this regard, it encouraged HR management to focus its efforts on select areas.

III. STAFF COMPENSATION

10. In a joint meeting with the Budget Committee, the Committee considered the proposals for FY11 staff compensation for the WBG, which incorporated the results of the country office compensation review for locally recruited staff; the revised proposals were later considered and approved by the Board. The Committees recognized and expressed appreciation for staff’s hard work to deliver record level lending in response to the global economic crisis.

11. The Committees noted that the annual review of staff compensation and proposals for overall pay increase are calculated based on the methodology previously approved by the Board. In considering staff compensation issues, concerns were raised about an increase to the total wage bill and its implications on the cost neutrality and affordability within a flat real budget. Moreover, views were expressed that any salary increase should take into consideration the global economy. Against this backdrop, questions were raised about different aspects of the methodology for the annual review of compensation. Going forward, the Committee stressed the importance of considering the total compensation package, which includes both salary and benefits, to facilitate a shift to the “total remuneration package”.

12. At the follow-up Board meeting where the proposals were approved, Management committed to review some elements of the methodology including comparatio adjustment, the governance of the country office compensation review, and the market premium, as well as certain aspects of the benefits package. Management noted that a multi-year approach is being taken to review the compensation and benefits program given the complexity of the issues and available resources. When the Committee reviewed the

results of the 2009 Quadrennial Benefits Survey prepared with the IMF, it encouraged Management's efforts to modernize the WBG's benefits program.

IV. STAFF FEEDBACK AND SUPPORT

13. The Committee considered the results of the 2009 WBG Staff Survey, which may be considered a biennial institutional health check. The importance of follow-up to the staff survey was underlined, and in this regard the WBG Management was urged to prioritize and focus on a limited number of follow-up actions both at institution-wide and unit levels. While welcoming the improvements and positive responses in many areas, the need to continue to address areas, such as internal processes, rewards and recognition, and learning and development, was noted. Remarking on the need for careful analysis and interpretation of the survey results, the Committee emphasized the value of written comments for complementing survey ratings and follow-up actions. The Committee also sought to better understand staff responses on a range of areas such as those related to decentralization of the WBG; and noted the need to take them into consideration in the context of ongoing institutional reform efforts.

14. The annual reporting to the Committee on the Conflict Resolution System and Related Services occurred outside the reporting period of November 1, 2009 to October 31, 2010.

HUMAN RESOURCES COMMITTEE

Terms of Reference

1. PURPOSE

1.1 The Human Resources Committee (the Committee) is established by the Boards to strengthen the efficiency and effectiveness of the Boards in discharging its oversight responsibility on the World Bank Group's (the WBG) Human Resources strategy, policies and practices, and their alignment with the business needs of the organization.

2. RESPONSIBILITIES AND DUTIES

In fulfillment of its responsibilities, the Committee shall:

2.1 Oversee the Bank's Human Resources Strategy and Policies

2.1.1. The Committee shall conduct an annual review of the Human Resources strategy.

2.1.2. The Committee shall evaluate the Annual Review of Staff Compensation.

2.1.3. The Committee shall periodically review the effectiveness and alignment to business needs of the Bank's Human Resources policies related in particular to:

- (a) Strategic staffing, including staff skills, recruitment, deployment and development;
- (b) Diversity;
- (c) Terms of employment;
- (d) Compensation and benefits;
- (e) Performance management, rewards and recognition;
- (f) Staff knowledge and learning;
- (g) Organizational design, including decentralization strategies;
- (h) Staff health and safety; and
- (i) Managerial accountability.

2.1.4. The Committee shall maintain close liaison with the International Monetary Fund (IMF) Executive Board on all Human Resources issues.

2.2 Oversee the alignment of staffing with agreed WBG's priorities

2.2.1. The Committee shall periodically review and discuss key staffing and compensation issues in light of the Bank Group's strategic directions.

2.2.2. The Committee shall periodically review and discuss key strategic staffing issues with Management as necessary.

2.3 Fulfill specific responsibilities in relation to Board Involvement in Senior Appointments

2.3.1. In consultation with other Committees of the Boards, the Committee shall review the principles, policies and practices in the appointment and assessment of senior managers.

2.4 Monitor the Conflict Resolution System of the Bank

2.4.1. The Committee shall consider annual reports on the Conflict Resolution System and periodically assess its adequacy.

2.5 Monitor investigations of alleged misconduct by Bank staff

2.5.1. In joint sessions with the Audit Committee, the Committee shall consider the annual summary reports on INT investigations of alleged fraud, corruption and other misconduct by Bank staff.

2.6 Discharge other responsibilities within its remit

2.6.1. The Committee shall review periodically the content and implementation of the Action Plans resulting from the regular Staff Surveys.

2.6.2. The Committee shall perform any other activity consistent with the Committee's Terms of Reference and the Bank's governing documents, as deemed necessary or desirable by the Board or the Committee.

2.7 Liaison with Staff Association

2.7.1. The World Bank Group Staff Association shall be invited, as appropriate, to send a representative to attend Committee meetings.

**LIST OF COMMITTEE MEETINGS HELD
November 2009 THROUGH OCTOBER 2010**

Monday, November 9, 2009

Managing for High Performance

Monday, November 16, 2009

Attracting & Retaining the Right Talent; and Increasing Flexibility & Mobility

Monday, December 14, 2009

FY07-12 Diversity and Inclusion Strategy: Action Plan Implementation and Progress Report – Annual Report to the HRC

Wednesday, February 24, 2010

Toward a Global Bank – The Second Update

Friday, February 26, 2010

HRC Annual Retreat

Monday, March 29, 2010 [Joint with Budget Committee]

Report on 2009 Review of Country Office Staff Compensation

Friday, May 7, 2010

Committee members Informal Lunch with an external speaker Ms. Trehan, VP, AES on managing organizational change on global level

Monday, May 17, 2010

IFC Human Resources Strategy Update

Wednesday, June 2, 2010 [Joint with Budget Committee]

2010 Review of Staff Compensation for the World Bank Group (*Board Meeting: June 17, 2010*)
Quadrennial Benefits Survey and International Competitiveness Review

Friday, June 4, 2010

Briefing Memorandum to the Human Resources Committee of the IFC Board of Directors on IFC Asset Management Company

Monday, July 19, 2010

2009 Staff Survey Results and Follow-up

Wednesday, September 8, 2010

Informal Committee Lunch – Directions in Addressing HR Priorities

Monday, October 25, 2010

HR Strategy Update: Discussion Note