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ABSTRACT

This evaluation assesses the implementation of Inter-American Development Bank (IDB, or Bank) commitments related to the human resources (HR) policies set out in the 2007 realignment and IDB-9. Under these commitments, the Bank is required to continue improving its organizational efficiency and capacity, building on the organizational model set forth in the 2007 realignment. This report is a preliminary review of the topic; next year's evaluation of the realignment by the Office of Evaluation and Oversight will explore issues of efficiency and efficacy in greater depth.

The evaluation finds that the IDB-9 results framework is insufficient to allow a full assessment of the "full and effective implementation" of the HR mandates. Nonetheless, it finds progress in the implementation of some of the commitments, such as the strengthening of capacity in country offices, the implementation of a results-based performance framework, the promotion of gender diversity, the improvement of talent management, and the reform of the process for contracting consultants. It is too soon to judge whether these reforms are yielding the expected results in terms of cost-effectiveness, client satisfaction, reduced time in project preparation and execution, improved project quality and evaluability, increased country knowledge and project origination, better technical dialogue with clients, increased employee motivation and performance, and better talent management.

PREFACE

The Inter-American Development Bank (IDB) is in a period of rapid change, responding to both the economic dynamism of the Region it serves and the increasing competition in the international financial marketplace. Over the past decade, countries in Latin America and the Caribbean have gained greater access to alternative sources of finance and an increasingly ability to generate and share knowledge among themselves. Like other multilateral development banks, IDB is seeking to adapt to this changing international landscape by ensuring that it is responsive to borrowing countries' needs and putting strong emphasis on effectiveness in its use of scarce resources.

In 2010 the IDB's Board of Governors approved the 9th General Capital Increase of the IDB (IDB-9). The IDB-9 Agreement laid out a series of reforms intended to strengthen the strategic focus, development effectiveness, and efficiency of the IDB to help it remain competitive and relevant in the years ahead. As part of that Report, IDB's Office of Evaluation and Oversight (OVE) was charged with conducting a midterm evaluation—to be presented to the Board of Governors in March 2013—to assess IDB's progress in implementing those reforms. The full evaluation is available at www.iadb.org/evaluation.

This paper is one of 22 background papers prepared by OVE as input to the IDB-9 evaluation. It seeks to determine whether one portion of the IDB-9 requirements has been implemented fully and effectively and to offer suggestions to strengthen implementation going forward. The overarching goal of this paper and the entire evaluation is to provide insights to the Governors, the Board, and IDB Management to help make IDB as strong and effective as possible in promoting economic growth and poverty reduction in Latin America and the Caribbean.

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This background paper was prepared by Pablo Alonso and Agustina Schijman. All background papers were thoroughly reviewed and discussed within OVE and shared with IDB Management for comments. The other background papers and full IDB-9 evaluation can be found at www.iadb.org/evaluation.

ACRONYMS AND ABBREVIATIONS

COF	Country Office
D&I	Diversity and inclusion
HCS	Human Capital Strategy
HR	Human Resources
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase of the IDB
OECD	Organization for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
SG	Sovereign Guarantee
VPC	Vice Presidency for Countries
VPS	Vice Presidency for Sectors and Knowledge

EXECUTIVE SUMMARY

The IDB-9 Report adopted by the Board of Governors of the Inter-American Development Bank (IDB, or Bank) called for, among other things, implementing the Agenda for a Better Bank, which “describes the actions necessary to maximize the effectiveness and impact of IDB’s interventions in the context of the General Capital Increase and focuses Management’s functions and operations.” As part of this agenda, the IDB-9 Report identified a number of actions to optimize the Bank’s human resources (HR): developing a results-based performance framework for staff, aligning talent to business priorities, reforming the process of contracting consultants, building capacity in country offices, and promoting diversity in the Bank’s human resources—including by developing a Gender and Minority Equality Framework to accomplish a better representation of women and minority groups across professional and leadership levels. The IDB-9 Report required that, in continuing to improve its organizational efficiency and capacity, the Bank would build on the organizational model set out in the 2007 realignment. The IDB-9 also called for the Office of Evaluation and Oversight (OVE) to assess the “full and effective implementation” of the IDB-9 commitments at the IDB-9 midpoint.

This evaluation assesses the implementation of IDB-9 commitments related to the Bank’s HR policies. It should be clarified that this report is a preliminary review of the topic, and OVE’s evaluation of the Bank’s 2007 realignment, to be undertaken in 2013, will explore issues of efficiency and efficacy in detail.

The evaluation finds that the IDB-9 results framework is insufficient to allow a full assessment of the “full and effective implementation” of the HR mandates covered in the realignment and Better Bank Agenda. Such an assessment would require a more comprehensive set of indicators. Furthermore, a proper analysis of the Bank’s HR policies should encompass the quality, coherence, and integration of all the subsystems of an HR system—planning, work organization, work management, results management, compensation, career development, industrial relations, and leadership—as well as their impact on desired outcomes.

Nonetheless, this evaluation finds progress in the implementation of some of the commitments, such as the professionalization of country offices, the implementation of a results-based performance framework, the promotion of gender diversity, and the improvement of talent management. The Bank has also recently reformed the process for contracting consultants at headquarters, and is in the process of implementing the new framework in country offices.

The impacts of many of these changes are not yet clear. For example, while there has been an increase in the professionalization of country office staff, consistent with the IDB-9 mandate, it is not yet clear that this professionalization is yielding the expected results in terms of cost-effectiveness, client satisfaction, reduced time in project preparation and execution, improved project quality and evaluability, increased country knowledge and project origination, and better technical dialogue. Similarly, the Bank has

advanced in implementing a results-based performance framework, but the effect of the new system on staff motivation and performance has not been studied.

The Bank seems to be on track to meet two of the three gender objectives of IDB-9. Existing data do not allow assessing other aspects of diversity such as ethnic representation and pay equity across groups. To achieve the goal of having 40% of professional and executive positions of grades 4 or above filled by women, the Bank will have to keep pace with the annual rate of change of the last couple of years. To meet the target of having 38% of executive and representative positions filled by women, the Bank mainly needs to keep the same rate at which it is hiring and promoting female staff. Finally, to meet the lower bound of the target for women in EVP and VP positions, at least one Vice Presidency will have to change its authority in the next two and a half years. There is still a large difference between the number of female (8) and male (18) country representatives.

I. INTRODUCTION

- 1.1 In November 2006, the Inter-American Development Bank (IDB, or Bank) realigned its strategy and structure in response to the changing economic conditions brought about by globalization, the implementation of the New Lending Framework, and the renewed debate regarding the relevance of the multilateral financial institutions. The objectives of the realignment were to increase (i) the development effectiveness of the Bank’s activities through greater country focus, deeper sector expertise, and improved management based on risk management and attainment of results; and (ii) the Bank’s organizational efficiency through better corporate integration of operations and scaling up of the various functions. The realignment set forth a new matrix structure and called for changes in the Bank’s business model, products, procedures, and policies, including human resources (HR) policies.
- 1.2 In 2010 the Bank’s Board of Governors adopted the IDB-9 Report, which in part built on the experience of the realignment. As part of its Agenda for a Better Bank, the IDB-9 Report identified actions to optimize the Bank’s human resources, including developing a results-based performance framework for staff, aligning talent to business priorities, reforming the process for contracting consultants, continuing capacity building in country offices, and continuing promotion of diversity in the Bank’s HR—including development of a Gender and Minority Equality Framework to achieve a better representation of women and minority groups across professional and leadership levels.¹
- 1.3 This evaluation assesses the extent to which the IDB-9 commitments related to HR policies have been fully and effectively implemented. The Office of Evaluation and Oversight (OVE) assessed “full” implementation of the HR commitments by looking at the progress on the indicators contained in the IDB-9 Report and other indications that each commitment has been fulfilled. Given that it is too early to expect any results of the policies under discussion, OVE assessed the “effective” implementation by using existing theoretical and empirical work to examine the extent to which the proposed policies are consistent among themselves and with the objectives they intend to achieve. The report is informed by analysis of HR and Staff Association surveys, a desk review, external assessment reports, and interviews with stakeholders.
- 1.4 It should be clarified that this report is a preliminary investigation into the topic; next year, as part of OVE’s evaluation of the realignment, hypotheses about efficiency and efficacy will be explored in detail. The Bank is undertaking a variety of HR initiatives, many initiated with the realignment and with the Better Bank Agenda, which are not included in the IDB-9 Report and go beyond the scope of this evaluation.

¹ See AB-2764, paras. 4.3, 4.13, and 4.22.

II. ISSUES AND PROPOSED SOLUTIONS

- 2.1 The diagnosis of IDB's HR issues, and their proposed solutions, are scattered in a number of documents related to the realignment and IDB-9.² This makes it somewhat difficult to identify and evaluate the logic of interventions and the causal links between problems and solutions, and creates some uncertainty about exactly what the Bank is committing to and how to monitor implementation.
- 2.2 To respond to declining demand for Bank products and changing regional needs, the realignment addressed such organizational challenges as (i) increasing strategic focus and managing multiple objectives; (ii) obtaining better and more timely results from Bank operations; (iii) increasing accountability in operational quality and safeguards management; (iv) reducing fragmentation and duplication for greater efficiency and expertise; (v) becoming a knowledge partner in development; (vi) leveraging country offices to achieve greater country focus; and (vii) reaching out for institutional alliances to multiply the impact and scope of the Bank's work.³ As the Governors noted in their Belo Horizonte meeting, the objective was to bring about a cultural change that focuses the Bank on results.
- 2.3 The realignment attributed many of the organization's problems to HR factors. For example, the long project preparation and execution periods, low project evaluability,⁴ focus on project execution at the expense of technical dialogue,⁵ and poor program origination and design were, in part, ascribed to the disconnect between design and execution and to low skill levels of professional staff in country offices.⁶ Similarly, the dilution of the Bank's expertise and its relevance to countries was attributed to such organizational issues as the fragmentation of the knowledge production function within the Bank⁷ and the inadequacy of the technical competencies of professional country office staff.⁸ Bank inefficiencies were attributed to, among other things, an imbalanced budget that favored overhead expenditures over operational ones—in 2006, nonoperational costs made up to 54% of total costs.⁹
- 2.4 To address these issues, the realignment called for greater decentralization and professionalization of the Bank's country office staff, increased expertise in certain strategic areas, and the development of HR policies to promote mobility of

² These documents are the Realignment Document (GA-232), the Agenda for a Better Bank (GN-2518-10), the Review of need for a General Capital Increase (GN-2518-16), and the Report on the Ninth General Capital Increase (CA-511 or AB-2764).

³ GA-232.

⁴ In 2006, the average preparation period was 576 days, more than 39% of the portfolio had execution periods of more than 5 years, and the evaluability of projects was low (i.e., only 45% of projects had an ex-ante economic analysis).

⁵ In 2006, Bank country office staff spent an average of only 16% of their time performing project design or knowledge functions.

⁶ See GA-232, paras. 5.3, 5.4, and 5.15.

⁷ See GA-232, paras. 5.8, 5.14.

⁸ See GA-232, paras. 5.15.

⁹ See GA-232, paras. 5.1 and 9.12.

specialists between headquarters and country offices and improve the design and execution of sector work assignments.¹⁰ The Realignment Document (GA-232) acknowledged the need to upgrade management skills by adopting a meritocratic process to fill management positions, because the existing staff recruitment and selection processes did “not provide the necessary safeguards for preventing this process from being commandeered.”¹¹ The realignment also emphasized the adoption of an HR strategy that relied on the principles of teamwork and merit for hiring and promotions and established adequate incentives to help staff strike a balance between work and quality of life, while fostering loyalty to the institution.¹²

2.5 These HR needs were partially echoed, and new ones added, in the development of the Better Bank Agenda associated with IDB-9.¹³ The technical document prepared by the Administration as the basis for the Better Bank Agenda¹⁴ sets out several initiatives aimed at developing an adequate and performance-driven HR framework built on meritocracy and diversity.

- It calls for the Bank to present a proposal to institutionalize the filling of senior positions, including managers and vice presidents, through a competitive process.¹⁵
- To improve the professional staff of country offices, it calls for the “definition of a system of incentives that attracts and retains the best talent in the field, including establishing an equivalent grade scale for national and international staff” and “the transfer of some senior positions to be based on country offices.”¹⁶
- It underlines the importance of the newly adopted Performance Management Framework to promote results-based staff evaluations and allow managers to identify, develop, and reward high performers and manage poor performers. It also mentions the “supervisor feedback system” through which supervisors are evaluated on set competencies through confidential feedback from their staff, and which is used to structure supervisors’ development programs.¹⁷
- It underlines the need to adopt a new comprehensive career management framework to align talent with business priorities and promote mobility,

¹⁰ See GA-232, paras. 4.4, 4.17-4.25, 5.14, 5.15, 6.23, 6.5, 6.76, and 7.9.

¹¹ See GA-232, paras. 9.12.

¹² See GA-232, paras. 6.74, 6.75.

¹³ GN-2518-10, Review of the Need for an Increase of the Ordinary Capital and Replenishment of the Fund for Special Operations. Enhancing IDB’s Capacity as Development Partner: An Agenda for a Better Bank. Also, GN-2518-16, Review of the Need for an Increase of the Ordinary Capital and Replenishment of the Fund for Special Operations. Second working paper: Main Findings and Options from the technical analysis. Revised version.

¹⁴ GN-2518-10.

¹⁵ GN-2518-10, para. 3.19.

¹⁶ GN-2518-10, para. 3.20.

¹⁷ GN-2518-10, par. 3.21.

career management, and advancement based on results and performance excellence.¹⁸

- It directs the Bank to enact a Gender Equality Policy for Staffing, with the aim of reaching 50% women and men at all levels by 2015.¹⁹
- Finally, it directs the Bank to develop a policy for hiring consultants.

2.6 OVE could not find any reference to a body of theoretical and empirical knowledge that could link the identified problems with the proposed solutions, nor any attempt to assess the potential cost-effectiveness of the proposed HR policies, such as, for example, the decentralization of staff.²⁰ A cost analysis of the implementation of HR policies could help provide a more nuanced assessment of the implementation of the of the HR policies contained in Better Bank Agenda.²¹

III. FINDINGS

- 3.1 To facilitate the evaluation of these IDB-9 commitments, OVE regrouped them into seven categories: (i) building technical capacity in specific strategic areas; (ii) strengthening capacity building in country offices, (iii) promoting gender equality and diversity; (iv) improving talent management; (v) implementing a results-based performance framework for staff, (vi) reforming the process of contracting consultants, and (vii) stimulating teamwork.
- 3.2 The IDB-9 Results Framework²² establishes indicators, baseline data, and targets to be achieved in 2015 to monitor only categories (ii) and (iii). To assess progress on improving the capacity of country office staff, it proposes that “the percentage of professional staff in country offices should increase from 26% to 40%.” To monitor progress in promoting gender equality and diversity, it proposes three indicators: “the proportion of executive and representative positions filled by women should rise to 38%”; “the share of professionals in grades 1 to 4 who are women should rise from 28% to 40%”; and “the percentage of female VPs / EVP should reach 40% to 60%.” These indicators only partially measure the underlying concepts: for example, diversity is measured as the proportion of males and females in professional and management positions, but there are neither baselines nor indicators to measure the proportion of underrepresented ethnic

¹⁸ GN-2518-10, par. 3.22.

¹⁹ GN-2518-10, par. 3.23.

²⁰ A recent Bank study estimates that the “pure” cost of decentralization related to personnel are probably in the range of US\$3.1-US\$5.7 million per year, plus around US\$7.2 million for relocation expenses. XR-3. Review of Decentralization at the Inter-American Development Bank – Diagnostic Report. June 21, 2012.






²¹ A external diagnostic report prepared by Dalberg Global Partners and a Management's Issues Paper presented to the Board (GN-2679 of 5 October 2012) show that under current conditions (i.e., existing headcount limitations and benefit packages), the Bank would need to transfer approximately 115 staff.

²² CA-511 or AB-2764, Annex 1: IDB Results Framework 2012-2015, par. 5.7.

groups and pay and grade differentials across gender and ethnic groups. A look into pay differentials across groups could better illuminate the state of diversity at the Bank. Likewise, the use of the percentage of professional staff in country offices fails to fully capture the idea of “the right person for the right job,”²³ because it does not precisely convey whether that person’s skills and knowledge are aligned to the specific business needs.

- 3.3 For the outcomes for which IDB-9 identified indicators, baseline data, and targets, this report analyzes their progression and, whenever possible, assesses the likelihood that the Bank will meet the specified targets by 2015. For the outcomes for which there are no identified indicators, OVE indicates whether the commitment can be evaluated and, if it can, draws on any data available to fill the gap. Table 1 summarizes OVE’s assessment of the implementation of the IDB-9 commitments related to the HR policies.

Table 1. OVE’s Assessment on Likelihood of Meeting IDB-9 Results Framework Targets

Outcomes	Results Framework outcome indicators	Baseline	Midline	Target 2015	Chances of meeting the target
Building technical capacity in specific strategic areas					<i>Too soon to evaluate</i>
Continue strengthening capacity building in country offices	Percentage of professional staff based in country offices	26%	33%	40%	
Promote gender equality and diversity	Percentage of female professionals and executive staff grade 4 or above	28%	34.2%	40%	
	Percentage of female in executive and representative positions	18%	31.7%	38%	
	Percentage of female VPs/EVP	0%	20%	40%-60%	
Improve talent management	-	-	-	-	<i>Too soon to evaluate</i>
Implement results-based performance framework	-	0%	-	100%	<i>Too soon to evaluate</i>
Reform process to contract consultants	-	0%	-	100%	
Stimulate teamwork					<i>Too soon to evaluate</i>

^aThe baseline changes slightly between dimensions, depending on the data available (2005, 2006, 2006-2009).

^b2011 or June 2012.

A. Building technical capacity in specific strategic areas

3.4 The share of professional staff in the Bank grew from 75% in 2005 to above 85% in 2012, and the percentage of professional staff with master's or doctoral degrees rose from 73% to 85% during the same period. In principle, building technical capacity in specific strategic areas could lead to better client satisfaction and higher demand for Bank products; indeed, clients have expressed increased satisfaction with the Bank's performance, and Bank activity has substantially increased over the last five years. It would take further analysis to determine whether and how much of the increased client satisfaction is due to the Bank's technical specialization, particularly as this does not seem to be one of the attributes of the Bank that clients value most.²⁴

B. Strengthening capacity building in country offices

3.5 Since 2007, the Bank has worked to decentralize staff to country offices. Between the realignment and 2011, the share of IDB overall staff (i.e., professional and administrative) in country offices increased from 30% to 34%. Most country offices grew by 20% to 40%, with the mean and median at around 29% (see Annex, Map 1). The growth in country offices was due mainly to increases in the share of staff from the Vice-Presidency for Countries (VPC) and the Vice-Presidency for Sectors and Knowledge (VPS) located in the field. Between 2007 and 2011, VPC staff located in the field increased from 72% to 76% and VPS staff from 29% to 35%.

3.6 The share of professional staff in country offices increased from 26% to 32%. Since the approval of the capital increase, the proportion of professional staff in the field has grown at a slightly faster rate than the share of overall staff located in country offices (see Annex, Figure 1). At this pace, it is likely that the Bank will be close to meeting its 40% commitment on the share of professional staff at the country level but will probably need to reinforce its efforts to reach the target (see Figure 1 below).

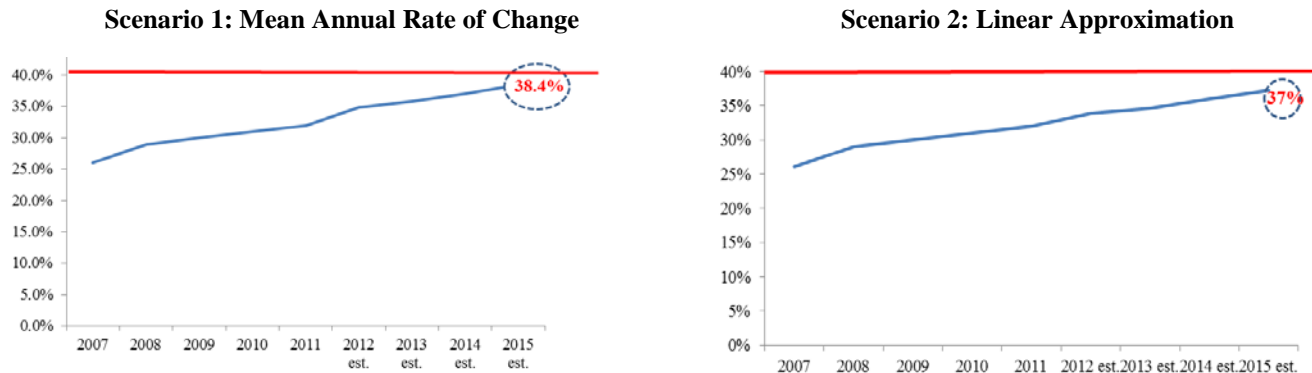
3.7 The IDB-9 Report does not contain an indicator to measure the technical specialization of country office staff. The share of approved sovereign guaranteed (SG) operations prepared by team leaders in country offices and the number of sector specialists based in country offices could be used as imperfect proxies. The percentage of approved SG operations (including policy-based loans) prepared by team leaders in country offices reached 53% in 2011, an increase of four percentage points since 2009. The number of sector specialists that are based in country offices increased from 172 in 2010 to 212 in 2012, and the increase included the great majority of the 34 specialization areas (see Annex, Table 1).²⁵

²⁴ A recent survey undertaken for the preparation of the Bank's review of its decentralization process finds that Bank clients rank "deep technical/expert advice" 9th out of 14 Bank attributes they value.

²⁵ However, sector specialists working in country offices are generally less senior than those working in headquarters and complain of having less access than headquarters staff to learning and knowledge activities.

Thus both the size and professionalization (using imperfect measures) of the staff in country offices are consistent with the mandate of decentralizing technical specialization.

Figure 1. Evolution and Projections of IDB Staff in Country Offices



Source: OVE, based on HRD data.

Note: Calculations are based on the annual rate of change since 2010.

3.8 However, it is difficult to say whether the process of decentralization is achieving the intended results, and if it is doing so efficiently. Professionalizing country offices by increasing their proportions of professional and management staff could, in principle, lead to reduced preparation and execution periods, increased quality of project design and evaluability of projects, better technical dialogue, improved project origination, greater client satisfaction, increased country knowledge, and the elimination of the design/execution dichotomy. However, existing empirical evidence casts a doubt on the straightforwardness of these relationships. A World Bank evaluation in 2009 found no correlation between project outcomes and the location of the task team leader.²⁶ A recent IDB study preliminarily shows a positive relationship between field location for the task manager and project disbursement levels,²⁷ while a recent IDB study on its decentralization process (XR-3) found a possible correlation between reduced time from project signature to first disbursement and increased decentralization of sector specialists. However, the decentralization study also found no statistically significant relationship between the location of the task manager and other project outcomes such as client satisfaction, time in project preparation and execution, project quality and evaluability, country knowledge,²⁸ project origination,²⁹ or technical dialogue. In fact, the study found the relationship between project evaluability and staff decentralization to be negative—that is, the projects of

²⁶ World Bank, Annual Review of Development Effectiveness 2009.

²⁷ Álvarez, C., J. Bueso-Merriam, and R. Stuchi. 2012. Easier Sectors, Good Countries or Solid Teams? Understanding Disbursements at the IDB. Office of Strategic Planning and Development Effectiveness. IADB.

²⁸ A recent World Bank study shows that staff located in country offices are unable to efficiently draw on knowledge generated internally and externally: World Bank (2012), *The Matrix System at Work – An Evaluation of the World Bank Effectiveness*. Washington, DC: Independent Evaluation Group.

²⁹ The exception is decentralization of private sector specialists, for which there is a positive relationship.

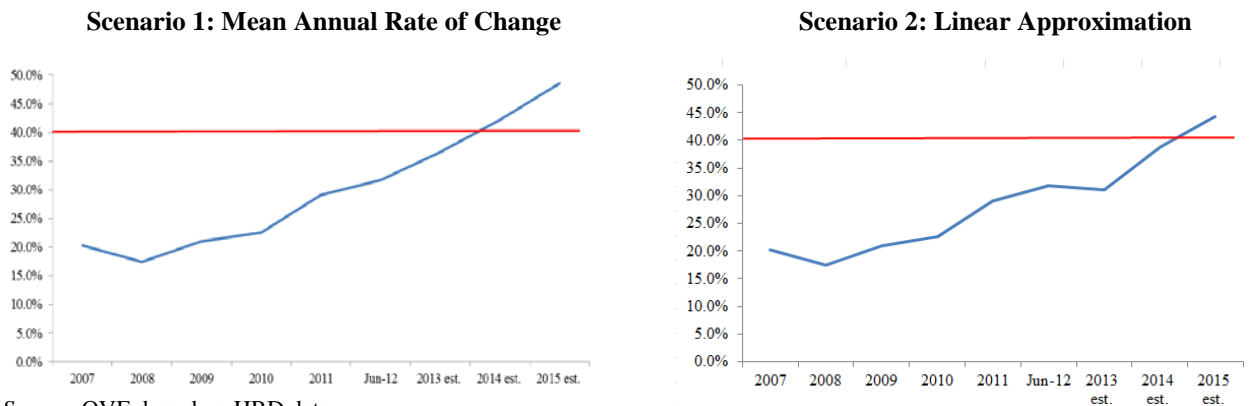
divisions that have decentralized less tend to have higher evaluability scores. These relationships should be further explored to develop a more conclusive evidence base.

C. Promoting gender equality and diversity in IDB

3.9 Since mid-2000, and especially since the approval of the capital increase in 2010, the percentage of female professionals and managers has increased. At the current pace, it is highly likely that two of the three 2015 targets related to promoting gender equality and diversity will be achieved.

3.10 The first outcome indicator captures the percentage of women in executive and representative positions. The share of these positions filled by women reached 32% in mid-2012, up from 23% in 2010 and 15 percent in 2005 (see Annex, Figure 2). The annual average rate of change since the capital increase has been 15.2%, which suggests that it is likely that the Bank will achieve the 38% target by 2015 (see Figure 2 below).

Figure 2. Evolution and Projections of Management Positions Held by Women

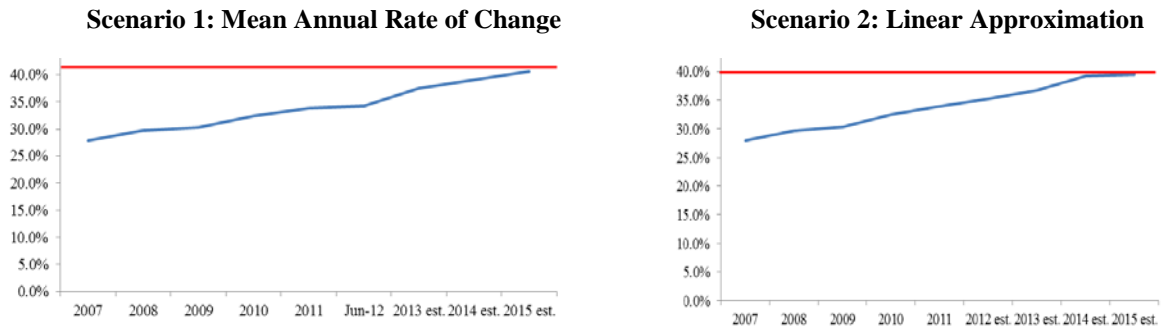


Source: OVE, based on HRD data.

Note: The rate of change is estimated for Scenario 1 using the 15.2% average rate (2010-June 2012) and for Scenario 2 using the complete series 2007-2011.

3.11 The second outcome indicator for the promotion of gender equality and diversity captures the percentage of women in positions grade 4 or above. This share has risen from 27% in 2005 to 34% in the first quarter of 2012. If the average annual rate of change between 2010 and June 2012 continues, the proportion of female professional and executive employees in grade 4 or above will reach 40.6% by 2015 and thus meet the 40% target (see Figure 3).

Figure 3. Evolution and Projections of Women in Grades 4 and Above



Source: OVE, based on HRD data.

Note: The average rate of change in the periods 2007-June 2012 and 2010-June 2012 is almost the same (4.2% vs. 4.1%). The Scenario 1 projection was done using the 4.1 rate, and the Scenario 2 projection done using the complete series 2007-2011 (i.e., 2012 was also projected).

- 3.12 The third IDB-9 commitment related to gender requires that the percentage of females in the position of Vice President and Executive Vice President (EVP) reach between 40% and 60% by 2015 (i.e., 2 or 3 of the 5 positions need to be occupied by women). Since 2010, the share has remained at 20%: the Executive Vice President is a woman, but the four Vice Presidencies are occupied by men. To comply with the IDB-9 mandate, the incumbent of at least one Vice Presidency will have to change in the next two and a half years.
- 3.13 Additional information on women’s status, if not directly related to the IDB-9 mandates, can also be indicative of the Bank’s efforts toward gender equality. Of all IDB staff members, more than half (51.4%) are female, and the share is slightly higher in country offices. However, the share of female employees varies greatly across country offices. At the end of 2011, it was less than 35% in some countries (Ecuador and Honduras) and higher than 80% in others (Belize and the Bahamas). The share of professional staff positions held by women in the field reached 38%—an increase of six percentage points since 2006—and the number of female specialists in country offices increased in almost all areas of specialization (see Annex). However, the majority of the country representatives are men (18 of 26).
- 3.14 Guided by IDB-9, the Bank launched several initiatives to promote diversity and inclusion of underrepresented groups in the Bank. Because there is no indicator to measure ethnic or other dimensions of diversity, it is not possible to properly assess the extent to which the agenda on diversity (beyond certain measures of gender diversity) is being implemented.³⁰
- 3.15 The implementation of the Career Management Framework brought a full revision of the procedural guidelines for staff selection processes to promote a

³⁰ The Human Capital Strategy 2011-2015 Action Plan contemplates monitoring indicators related to “under-represented groups.” However, HRD should clarify which groups are considered to be underrepresented and make sure to collect information about all of them.

balanced and diverse representation on selection panels. However, the lack of data prevents assessment of this dimension. The opening of a lactation room at headquarters, the creation of affinity groups, and the implementation of diversity and inclusion (D&I) workshops and seminars both in headquarters and in country offices in 2011 were also aimed at promoting gender equality and diversity. In addition, approximately 800 employees and 420 staff members participated in six D&I awareness and training events in headquarters and in Brazil last year. Moreover, since the 2011 performance evaluation cycle, D&I is a core competency for supervisors.

- 3.16 Also guided by the IDB-9 requirements, HRD has recently begun the implementation of the new D&I Strategy. A D&I Advisory Group was created in March 2012 to help the Executive Vice President and HRD ensure that the institution is making measurable progress toward D&I. Other initiatives that are currently being developed or piloted to improve D&I are an awareness-raising communication strategy and a Bankwide mentoring program.
- 3.17 OVE could not determine whether these initiatives have had a positive impact. Only 68% percent of staff members who answered the 2011 Engagement Survey reported that employees are treated fairly regardless of gender, race, ethnicity, or other characteristics, so there is still room for improvement. Data and benchmarks should be systematically collected to monitor progress on this dimension.

D. Improving talent management

- 3.18 The Bank has adopted a series of initiatives to improve the management of its staff, including the implementation of a results-based performance framework (discussed below). Although the IDB-9 Results Framework contains no metrics to assess progress on this commitment, OVE observes certain progress in activities related to the improvement of talent management.
- 3.19 The increases in professional staff discussed above can be attributed in part to better talent and performance management. Furthermore, two in three staff members say that the IDB does a “very good” or “good” job of attracting high-quality personnel—seven percentage points higher than the average in comparison organizations.³¹ This coincides with the diagnostic assessment carried out for preparation of the 2011 Human Capital Strategy (HCS).
- 3.20 The HCS notes the need to further explore how to increase high performers’ motivation and engagement by recognizing them through nonfinancial or limited-financial mechanisms. The strategy’s Action Plan proposes the design and implementation of a systematic process to identify and develop potential leaders

³¹ 2011 Engagement Survey. The benchmark is the opinion from all the companies and organizations the Gelfond Group (the company that analyzed the survey results) has surveyed globally between 2009 and 2011. Hereafter in this paper, the comparison organizations are referred to as the “external benchmark.”

- for key management positions, along with a Bankwide mentoring program, which is now being piloted.
- 3.21 The procedures for mobility across units in the Bank are not clear. There are no strong career development incentives to transfer from headquarters to country offices, and there needs to be a better understanding of the challenges mobility faces (such as the difficulty of obtaining work permits for spouses, security issues, and quality of education for children). HRD is currently working to develop a mobility framework and a program to help promote mobility/rotation of staff from both headquarters and country offices. A pilot of this program will be launched in 2013.
- 3.22 To provide greater transparency and fairness, the 2011 HCS emphasizes the need for a Total Rewards Framework Strategy, which is expected to be implemented by the end of 2013. The HCS also contemplates the implementation of a new section in CareerPoint, the “Individual Development Plan,” aimed at helping define and track the actions required to develop staff careers.
- 3.23 Consistent with the IDB-9 mandate, the Bank has implemented initiatives to improve managers’ skills. The Performance and Career Management Frameworks, for example, provide space for training sessions and advisory services to staff. In 2011 26 supervisors attended “Manager as a Coach” training sessions, and 20 supervisors and 50 staff attended training sessions for the Career Management Framework. In terms of Performance Management, in 2011 more than 450 hours were devoted to training and providing advisory services. In addition to these activities, the Management and Leadership Capacity-Building pillar of the 2011 HCS committed to implement two initiatives: a Leadership Development Program and a Bankwide Mentoring Program. Because these initiatives are too recent, this report is unable to draw conclusions on their effectiveness. What can be stressed, though, is that at the end of 2011, only a minority of the staff (45%) who answered the 2011 Engagement Survey rated as “good” or “very good” the role of their supervisors in coaching them in their career development. This share has improved slightly since 2008 (41%), but is still 12 percentage points below the external benchmark. Only 4 in 10 reported that they are recognized when things go well on the job, which is well below external benchmarks and 4 percentage points less than in 2008; and fewer than half the respondents agreed that their job provides them with a real sense of personal accomplishment.³²

E. Implementing a results-based performance framework

- 3.24 The Agenda for a Better Bank calls for the implementation of a results-based performance framework for staff. In spite of concerns about the efficacy of this type of framework in other organizations, it would seem that the E-Performance system implemented in the Bank in 2009 is an improvement on the previous

³² 2008 Staff Association Survey.

system, because it introduces a structured process of establishing individual work plans. However, OVE finds three preliminary weaknesses.

- Results are not completely aligned from top to bottom. The 2011 HCS recognizes that a tighter alignment of individual contribution to overall organizational goals is required, and changes have been introduced to the system to generate a more aligned cascade between individual and organizational goals.
- The 2011 Engagement Survey revealed that more than 70% of the respondents believe the evaluation process lacks transparency and objectivity. If a performance system is to be effective it has to be credible. Employees need to know that effort will be compensated. The greater the uncertainty in the relationship between effort and reward, the less the efficacy of the performance system.³³
- There seems to be no adequate mentoring and coaching for staff.³⁴ In the 2012 Performance Evaluation Survey, more than 70% of the respondents said that they received no feedback from their supervisors during the year, or that they received feedback only once a year, at the time of evaluation. This could be attributed to inadequate managerial skills or large spans of control (among other possible factors). Even though the average span of control is 8.5 staff (which is in line with private sector companies), many department heads and division chiefs have 20 or more staff reporting directly to them, and some have as many as 57. The 2011 HCS recognizes this problem and stresses the need to rethink spans of control so that supervisors can be more effective.

3.25 OVE finds that the Bank has been improving the system for promotions. Until last year promotions did not have a specific budget allocation, and some departments promoted seven times as much as others. Since 2012, however, the budget includes a centralized and separate allocation for promotions, and in 2012 the promotion processes were revised to increase transparency and standardization. Promotions are now managed by career path regardless of business unit or location. Candidates are now informed that they have been nominated for a promotion, and they can update their resume in CareerPoint and fill out an evaluation to describe their achievements. The technical and behavioral competencies of the Career Management Framework are used as inputs to decide promotions. All promotions become effective at the same time. And a panel compares candidates across a given career path to make a selection. (During the last promotion exercise, 37% of nominees for grade 2 were rejected.) These changes are expected to have a positive impact on the credibility of the promotion system.

3.26 The Bank has recently introduced greater performance pay elements into its rewards system. While it is undoubtedly important to recognize and reward good

³³ World Bank, Annual Review of Development Effectiveness 2009.

³⁴ See, for example, sectors and departments such as Water and Sanitation and Financial Management and Procurement Services.

performance, theoretical and empirical studies recommend being careful with the introduction and design of performance pay systems, particularly in public organizations. Whereas some studies show a positive relation between performance pay and actual performance,³⁵ others show a negative relation.³⁶ A recent meta-analysis of the empirical literature argues that the impact of performance-pay systems on actual performance is positive when the tasks are simple and/or boring but can be negative when, as happens in the public sector, they are difficult and/or interesting.³⁷ Other scholars argue that performance pay in a public service context may demotivate intrinsically motivated employees and produce damaging “gaming” behavior.³⁸ A study of performance pay systems in European countries’ public sectors finds no evidence that performance-related pay schemes have contributed to an improvement in performance, in HR management, or in the quality of the service delivered,³⁹ and a 2005 OECD study also concludes that performance-related pay has little or no effect on increasing the motivation of civil servants.⁴⁰ It will be important for IDB Management to draw on this literature and to carefully gauge the effectiveness of the performance-pay system the Bank is adopting, making adjustments as needed.

F. Reforming the process for contracting consultants

3.27 Following the realignment and the IDB-9 mandates, the 2001 employment model—which was in force until mid-2012—was too rigid a framework to promote talent optimization. In particular, the limitations on headcount, coupled with the average amount of time it takes to fill a vacancy (approximately 4 months), led to a 100% increase in the share of contractual employees over five years—from 14% of the Bank’s workforce in 2005 to 28% in 2010. Moreover, the previous employment model did not allow the use of uninterrupted medium- and long-term contracts for consultants, which, according to HR’s diagnosis, had a costly effect on business areas and often led units to hire the same person through different contractual modalities.

³⁵ Prendergast, C. 1999. The provision of incentives in firms. *Journal of Economic Literature* 37:7-63; and Lazear, E. P. 2000. Performance pay and productivity. *American Economic Review* 90:11341-61.

³⁶ Frey, B., and R. Jergen. 2001. Motivation crowding theory: A survey of empirical evidence. *Journal of Economic Surveys* 15 (5): 589-611; and Gneezy, U. and A. Rustichini. 2000. Pay enough or not pay at all. *Quarterly Journal of Economics* 115:791-810.

³⁷ Weibel, A., K. Rost, and M. Osterloh. 2009. Pay for performance in the public sector – Benefits and (hidden) costs. *Journal of Public Administration Research and Theory* 20:387-412.

³⁸ See Perry, J. L., and Wise, L. R. 1990. The motivational bases of public service. *Public Administration Review* 50(3) 367-373; Bagues, M., and Esteve-Bolart, B. 2010. “Performance Pay and Judicial Production: Evidence from Spain.” Working paper, Universidad Carlos III, Madrid; and Le Grand, J. 2010. Knights and knaves return: Public service motivation and the delivery of public services. *International Public Management Journal* 13 (1) 56-71.

³⁹ Survey for the 38th Meeting of the Directors-General of the Public Service of the Member States of the European Union (La Rioja, Spain, 28-29 May 2002): “Comparative Survey of the Systems of Productivity-linked Remuneration that are Employed in the Civil Services of the Member States of the European Union (Performance Related Pay).” European Institute of Public Administration, Maastricht, Spring 2002.

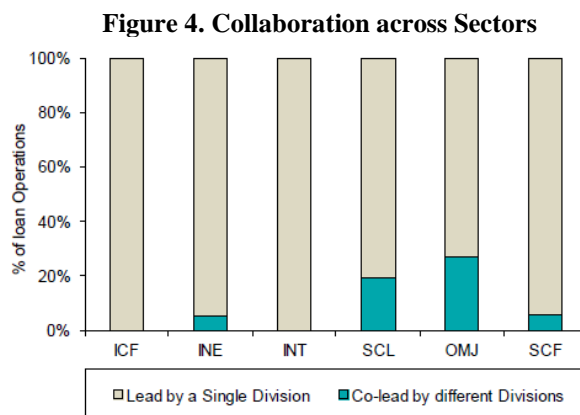
⁴⁰ OECD (2005), *Performance-Related Pay Policies for Government Employees*. Paris: OECD Publishing.

- 3.28 The new Employment Policy Framework (GN-2655), implemented in July 2012, classifies the workforce as Staff and Complementary. The main changes in contractual modalities, both for headquarters and country offices, are related to the second group. There have been some difficulties with the introduction of the new system. First, the new framework has not been implemented in all country offices because of national labor legislation; in each case, HRD is studying the modifications to the model that would be necessary to comply with the legal system of each country. Second, many administrative personnel in headquarters report not having received adequate training to fully understand the conditions and implications of each type of new contracting scheme.⁴¹
- 3.29 In short, the mandate related to reforming consultants' modality of contracts has been met, although many stakeholders believe that the Bank was not ready to fully implement the changes. Future evaluations should analyze the impact of the changes in terms of efficiency and efficacy gains and cost-effectiveness. Moreover, the new contractual forms will probably require additional reforms to respond to future workforce needs. As the new Employment Framework recognizes, a Bankwide workforce planning exercise is needed to determine the optimal mix of staff and contractual modalities. According to the HCS timeline, a Workforce Planning framework is under development and will be implemented in 2013.

G. Stimulating teamwork

- 3.30 In addition to the commitments in the IDB-9 Report, the matrix model requires higher levels of internal collaboration and communication to deliver products and services efficiently to member countries. However, collaboration among business units seems to have been decreasing rather than growing. Three indicators support this statement.
- The percentage of loan operations with team leaders that belong to different divisions was 7.2% in 2011, down from 8% in 2010. Within VPS, Social Sector has the largest share of co-led operations, and Integration and Trade Sector the smallest one (see Figure 4).

⁴¹ Notwithstanding staff opinions, 250 contract officers across the Bank's headquarters and country offices were formally trained over a two-week period. This training included a total of 11 sessions for Taleo, 11 for contract processing, and ad hoc workshops.



Source: 2011 Annual Business Report.

- Though the average number of business units that participate in a loan project remained approximately the same between 2007 and mid-2012 (around 9), OVE found that the average share of business units that *strongly* collaborated with other units has decreased steadily since the realignment.⁴² Whereas in 2007 almost a quarter of the units collaborated, by the end of 2011 only 12% did.
- The reported time spent in collaborating with other units fell from 31% in 2008 to 27% in 2010.

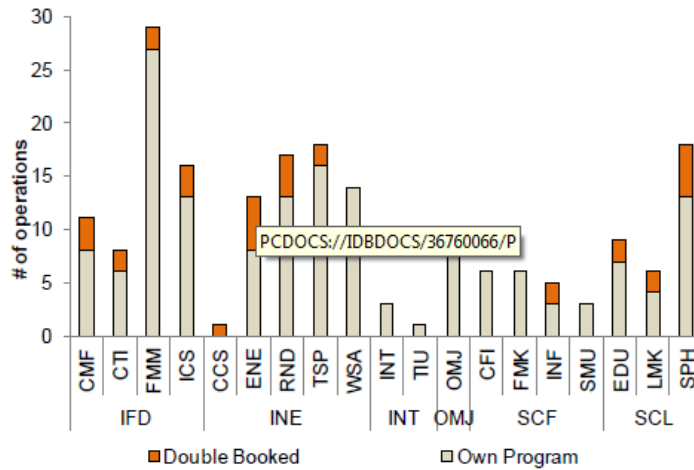
3.31 Staff opinions also indicate that there is room for improvement in collaboration and cooperation between units. The 2011 Engagement Survey shows that fewer than 3 in 10, and 4 in 10, respectively, believe that there is good/effective collaboration and cooperation between departments. This is considerably below external benchmarks.

3.32 The 2011 HCS acknowledges that to reinforce a matrix structure, work programs need to include specific objectives for cross-functional team projects and horizontal collaboration. In this regard, the Bank recently introduced the “double-booking” initiative to allow registering one operation to more than one business unit.⁴³ Figure 5 shows the number of double-bookings by division for the first quarter of 2012.

⁴² A unit is defined to be a strong collaborator if its budget represents 10% or more of the total personnel cost of another unit’s project. Note that 10% is in line with the threshold used for Double Booking since March 2012.

⁴³ To provide an incentive for double-booking, an additional transactional budget is allocated to operations in which more than one business unit participates.

Figure 5. Double-Booking



Source: Q1 2012 Annual Business Report.

- 3.33 Finally, under the Management and Leadership Capacity-Building pillar of the 2011 HCS, a Leadership Development Program is being designed to identify what incentives are needed to develop greater collaboration among staff and units, and to improve managers’ leadership skills.

IV. CONCLUSIONS

- 4.1 The IDB-9 results framework is insufficient to allow a full assessment of the “full and effective implementation” of the HR reforms in the realignment and the Better Bank Agenda. Such an assessment would require a more comprehensive set of indicators and would encompass the quality, coherence, integration of all the subsystems of the HR system—planning, work organization, work management, results management, compensation, career development, industrial relations, and leadership—as well as their impact on desired outcomes.
- 4.2 While there has been an increase in the professionalization of country office staff consistent with the IDB-9 mandate, it is not clear yet whether this professionalization is yielding the expected results in terms of cost-effectiveness, client satisfaction, reduced time in project preparation and execution, improved project quality and evaluability, increased country knowledge and improved project origination, and better technical dialogue.
- 4.3 The Bank has recently reformed the process of contracting consultants in headquarters, and is reviewing local legislations to implement the new framework in country offices. The Bank has also advanced in implementing a results-based performance framework and has taken several initiatives to improve talent

management. The effects of these steps on staff motivation and flexibility have not yet been studied.

- 4.4 Finally, the Bank seems to be on track to meet two of the three gender objectives of IDB-9. Existing data do not yet allow assessment of other aspects of diversity, such as ethnic representation and pay equity across groups.

LIST OF PERSONS INTERVIEWED

Ana María Rodríguez-Ortiz, Manager, Institutions for Development Department.

Claudia Bock-Valota, Manager, Human Resources Department

Claudia de Colstoun, Chief, Talent Management Division

Daniel Zelikow, Former Executive Vice President

Edna Maria Diez, Division Chief Leadership & Employee Development

Elizabeth Rodezno, President, Staff Association

Francesca Molinaro, HR Senior Specialist

Nestor Ares, Human Resources Department, HR Processes and Analytics Sr. Advisor

Manuel Rapoport, Former Vice President of Finance and Administration

Otaviano Canuto, Former Vice President for Countries

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ANNEX

Map 1. Growth of Country Office Staff

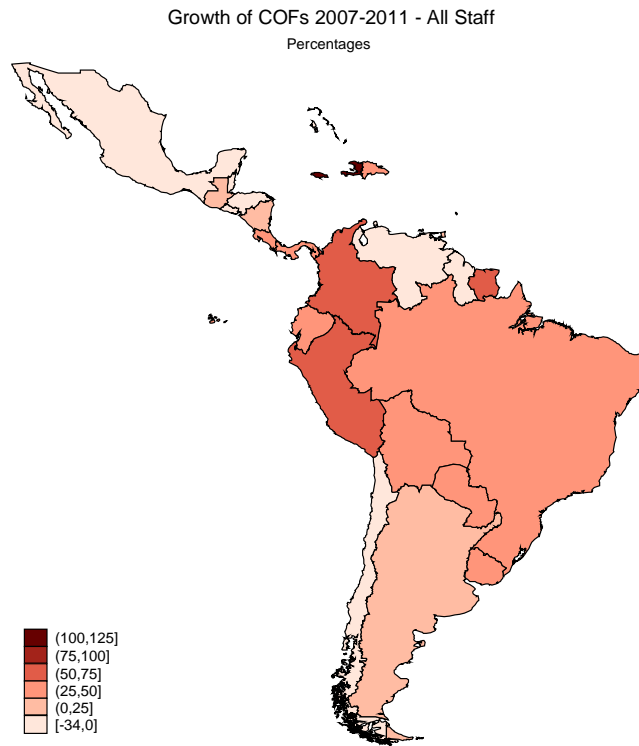


Figure 1. Evolution and Projections of IDB Staff in Country Offices

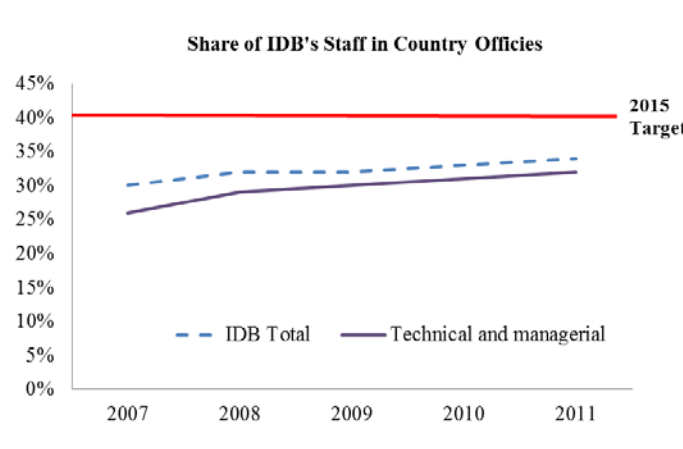


Table 1. Number of sector specialists that are based in country offices, 2010- July 2012			
Specialization	2010	2011	2012
Agriculture	4	4	4
Climate Change	2	2	4
Education	13	16	17
Energy	9	11	12
Environment		1	1
Financial & Institutional	1	1	1
Financial Management	1	1	1
Financial Markets	9	11	11
Fiscal & Municipal Development	16	15	13
Fiscal & Municipal Management			1
Fiscal, Urban & Municipal Management		2	3
Health	2	3	3
Housing & Urban Development	3	3	4
Indigenous Peoples		1	1
Infrastructure			1
Institutions & Financial Management	1	1	1
Integration & Trade	3	4	4
Labor Markets	1	3	3
Modernization Of The State	21	24	26
Natural Disaster & Risk Management	1	1	1
Natural Resources	13	13	13
Private Sector Development	3	6	5
Rural Development	6	7	7
Sanitation	1	1	
Science & Technology	3	4	4
Science, Technology & Innovation		1	1
Social Development	3	5	5
Social Protection	13	12	12
Social Protection & Health		1	5
Social Protection Economics		1	2
Transport	21	22	21
Urban Development	5	4	4
Urban Development & Sanitation			1
Water & Sanitation	17	20	20
Grand Total	172	201	212

Source: HRD.

Figure 2. Evolution and Projections of Management Positions Held by Women



Figure 3. Evolution and Projections of Women in Grades 4 and above

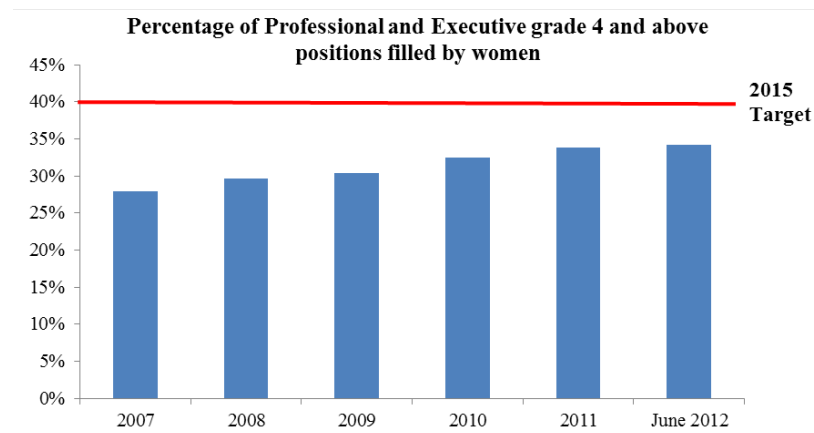
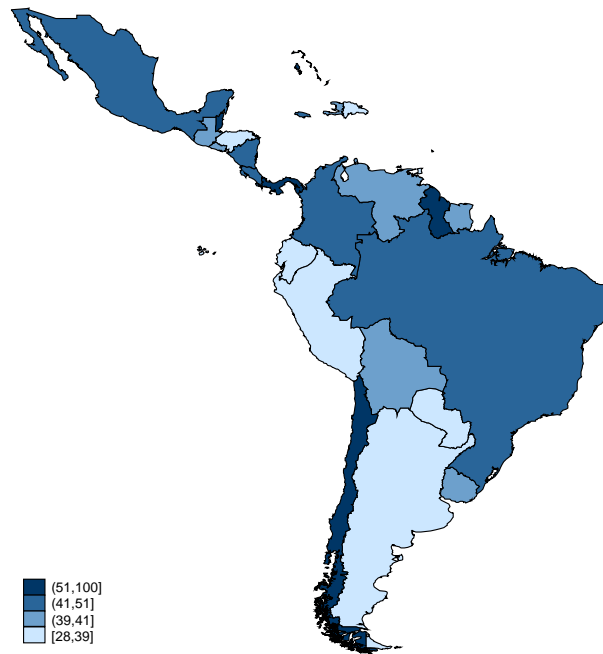


Table 2. Number of women by sector, 2010-July 2012			
Specialization	2010	2011	2012
Climate Change	2	1	2
Education	4	8	10
Financial Markets	2	3	3
Fiscal & Municipal Development	5	5	5
Fiscal, Urban & Municipal Management			1
Health	1	1	1
Housing & Urban Development	1	1	2
Indigenous Peoples		1	1
Integration & Trade	2	2	2
Labor Markets	1	1	1
Modernization Of The State	4	3	5
Natural Disaster & Risk Management	1	1	1
Natural Resources	1	2	3
Private Sector Development	1	2	2
Rural Development	2	2	2
Sanitation	1	1	
Science & Technology	1	1	1
Social Development	1	3	3
Social Protection	9	9	9
Social Protection & Health			2
Social Protection Economics			1
Transport		2	2
Urban Development	2	1	1
Urban Development & Sanitation			1
Water & Sanitation	3	5	5
Grand Total	44	55	66

Source: HRD.

Map 2. Share of Female Staff in Country Offices
Share of Female Staff in COFs



Source: OVE, based on HRD data.

Management Comments



Mid-Term Evaluation of IDB-9 Commitments
Background Paper: Human Resources
Management Response

I. INTRODUCTION

- 1.1 Management welcomes OVE's evaluation of the Bank's implementation of the commitments related to the human resources (HR) policies set out in the 2007 realignment and mandated under the Ninth General Capital Increase in Resources (IDB-9). The conclusions of this evaluation will contribute to the ongoing efforts to more effectively continue improving the Bank's organizational efficiency and capacity.
- 1.2 Management provided detailed comments to OVE on an earlier draft of this paper and is pleased to see that most of its suggestions were incorporated in this final version.

II. OVERALL FINDINGS AND SUGGESTIONS

- 2.1 OVE's evaluation provides good insights into the implementation of the IDB-9 commitments related to the Bank's HR policies. Management broadly agrees with the background paper's findings and suggestions. We particularly welcome the conclusion that a more comprehensive set of indicators would be required for the Bank to assess the full and effective implementation of the HR reforms.
- 2.2 While we acknowledge the overall quality of the evaluation, we believe that the paper could have benefited from further clarification of some key issues, namely in relation to performance pay. In that regard, Management would like to draw attention to the following: the national public sector counts only for a minority percentage of the IDB's recruitment sourcing; international organizations and the private sector, which do pay based on performance, constitute a major recruitment source. Moreover, several international comparators (such as the European Bank for Reconstruction and Development, the European Central Bank, and the International Monetary Fund) are paying additional components, normally identified as variable pay -- a practice that is widespread across the private sector. Since the realignment, Management has emphasized the importance of showing results and that a differentiation across staff be made based on their contribution to producing these results. We have therefore consciously avoided embracing traditional public sector practices, considered outdated, that pay for seniority.
- 2.3 The concept of the performance-based framework is one of the key mandates of the Bank when it comes to human talent management. In order to ensure its successful implementation, this concept has to be considered in its entirety, and not selectively. A performance-based framework has to be utilized not only for planning and executing purposes, but also for rewarding purposes (being monetary or not). This has been one of the guiding principles of the Total Rewards Framework included in the Human Capital Strategy. Economic rewards differentiation based on demonstrated performance is one of the most important objectives pursued by the above-mentioned documents.

- 2.4 In addition, the abandonment of a performance-based rewards system may have substantial consequences on the Bank's ability to maintain competitive remuneration levels in the future, since current reference markets used to determine competitive levels of remuneration are chosen primarily based on this characteristic.
- 2.5 Management welcomes the finding that the IDB seems to be on track to meet two of the three gender objectives of IDB-9, and that progress is being made with regards to several commitments, such as the strengthening of capacity in country offices, the implementation of a results-based performance framework, the promotion of gender diversity, the improvement of talent management, and the reform of the process for contracting consultants.

III. LOOKING FORWARD

- 3.1 Much of the IDB's work in the human resources area is already underway within the Human Capital Strategy. An example consistent with OVE's suggestions is the continuous training being provided for the implementation of the new contracting modalities, whereby 250 contract officers across the Bank's headquarters and country offices were formally trained over a two-week period. This training included a total of 22 sessions, and other ad hoc workshops.