

**EXECUTIVE
BOARD
MEETING**

SM/22/143

STRICTLY CONFIDENTIAL

June 9, 2022

To: Members of the Executive Board
From: The Secretary
Subject: **Review of Institutional Safeguards**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Thursday, June 30, 2022**

Additional Information: The full set of background information for consideration by the Executive Board is included:

- Chapeau. A memorandum from the Chair of the Steering Group on Institutional Safeguards and the Proposed Statement from the Executive Board and the Managing Director.
- Report I. Report of the Staff Working Group on Data and Analysis Integrity.
- Report II. The Report of the External Panel of Experts on the Review of the IMF's Dispute Resolution System.

In advance of the Executive Board Meeting, members of the Board Steering Group and staff Working Groups will be available on June 21, 2022 to answer technical questions on the reports.

Publication: Proposed on June 30, 2022, following the Executive Board discussion

Questions:

Chapeau. Statement from the Executive Board and the Managing Director

Ms. Riach, OED (ext. 34560)

Ms. Pazarbasioglu, SPR (ext. 35967)

Ms. Purfield, HRD (ext. 36836)

Report I. Report on the Staff Working Group on Data and Analysis Integrity

Ms. Pazarbasioglu, SPR (ext. 35967)

Mr. Gray, SPR (ext. 35887)

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Report II. Report of the External Panel of Experts on the Review of the IMF's Dispute Resolution System

Ms. Purfield, HRD (ext. 36836)

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STRICTLY CONFIDENTIAL

June 9, 2022

Dear Board Colleagues,

On behalf of the Steering Group on Institutional Safeguards, I attach the proposed statement from the Board and Management. Our hope is that it will be possible to publish this document, endorsed by both Management and the Board on June 30 following the Board discussion. This would be published alongside the report of the staff Working Group on Data and Analysis Integrity and the External Panel of Experts' Review of the IMF's Dispute Resolution System.

This document has been agreed by the Steering Group and Management, and has been developed in close consultation with staff.

Ahead of the June 30 deadline we will schedule an informal question and answer session. I am also happy to discuss with any of you bilaterally.

Shona Riach
Chair of the Steering Group on Institutional Safeguards

**Statement by the IMF Executive Board and Management
on the Institutional Safeguards Review**

Ensuring the highest standards of institutional governance and data and analytical integrity is paramount to the International Monetary Fund’s (IMF) ability to deliver on its mandate and its capacity to serve its member countries in an effective, evenhanded, and impartial manner. The IMF’s Executive Board is fully committed to maintaining these standards, and in concluding its review of the matters raised in the investigation of the 2018 World Bank’s Doing Business report in October 2021, the Executive Board noted that it had “confidence in the impartiality and analytical excellence of IMF staff and in the IMF’s robust and effective channels for complaint, dissent, and accountability”. The Board also noted that it would consider “possible additional steps to ensure the strength of institutional safeguards” in these areas¹. Accordingly, it launched a comprehensive review of the IMF’s institutional safeguards², with the aim of ensuring that the Fund’s systems reflect a robust governance structure which meets the highest standards.

Reflecting shared responsibilities of key stakeholders in the process, the review was carried out in an integrated manner, with the Board establishing a Steering Group (SG) of Executive Directors leading the assessment in collaboration with Fund Management and two Staff Working Groups (WGs), which were comprised of staff from all levels. One WG focused on the integrity of data and analysis, and the other focused on issues of internal governance and staff voice and included representatives of the Staff Association Committee. The Independent Evaluation Office also provided input. In addition, an external, independent panel of high-level experts, led by former Deutsche Bundesbank President Jens Weidmann, was appointed to assess a critical mechanism to foster staff voice—the Fund’s internal dispute resolution system (DRS).

The institutional safeguards review looked at the Fund’s framework and practices to ensure data and analytical integrity, examining the procedures for finalizing staff analysis (including internal clearance points and Board engagement)—as well as the availability and effectiveness of channels for staff to voice concerns. The review considered the Fund’s work environment and culture, its ability to foster dialogue and a robust exchange of views internally and with country authorities, and mechanisms to raise and resolve differences. While the Fund has engaged in efforts in the past to upgrade and modernize its internal safeguard systems, this was the first comprehensive and holistic review, in which both complementary pillars of the safeguards system—processes for data and analysis and the DRS—were assessed simultaneously.

¹ <https://www.imf.org/en/News/Articles/2021/10/12/pr21297-statement-by-imf-exec-board-on-its-review-on-investigation-of-wb-doing-business-2018-report>

² [IMF Executive Board Announces Follow Up Work on Institutional Safeguards](#)

The findings of the review show that the Fund generally has robust mechanisms in place to ensure a high standard of institutional governance and analytical integrity, along with well-developed mechanisms to help IMF members prepare robust data. The review also demonstrated that the Fund has in place a dispute resolution system “comparable to the practices and procedures in other benchmarked international organizations” and provides “multiple formal and informal mechanisms” for employees to express their workplace concerns. These findings are encouraging and reinforce the Executive Board’s and Management’s strong confidence in the impartiality and analytical excellence of IMF staff and in the IMF’s robust and effective channels for complaint, dissent, and accountability. This outcome is a testament to the current and past work of Fund staff, managers, Management, and the Board.

At the same time, the review found—drawing upon surveys, interviews with staff and stakeholders, and a review of best practices—that there are areas where the data and analytical integrity frameworks could be further bolstered and in which the smooth and effective functioning of the Fund’s system for internal disputes could be strengthened, including by speeding up, and enhancing trust in the processes. More specifically, the review found that:

- While there are strong frameworks and processes in place to protect the integrity of data and analysis, the Board and Management agree that the system should be bolstered further by **clarifying the terms of engagement of Offices of Executive Directors in staff’s conduct of analysis, improving the transparency of internal processes, clarifying the role of management in the clearance process, and identifying principles for evenhanded coverage of emerging economic policy areas.**
- On internal governance and staff voice, actions to enhance trust in the DRS and its functioning are needed. These include measures to ensure voices are heard by fostering informal resolution of disagreements at an early stage, and addressing long and overly formal processes and resource and information gaps. These actions would enhance trust in the DRS and its functioning. More broadly, credible and accountable efforts are needed to ensure that an appropriate and visible tone is set from the top on these issues, and to foster greater dialogue and enhance the Fund’s organizational culture, which is still perceived as overly hierarchical. The Board and Management agree that improvements can be made in four key areas: **leadership and tone at the top; building trust in the DRS; earlier, less formal, and more collaborative dispute resolution; and fair and efficient formal dispute resolution processes.**

The Board and Management strongly welcome the review’s analysis and underscore the importance of its findings. The review provides a clear diagnosis of the current gaps in the system and a guide for further modernization through strengthening safeguards on internal governance, staff voice, and data and analytical integrity. The institutional safeguards review process does not end with the publication of these reports. The Board and Management are committed to considering all of the recommendations laid out in the reports and taking concrete

actions in a timely, well-sequenced manner to ensure that the best possible frameworks, processes and culture are in place at the IMF. In this context, determined implementation and operationalization of these recommendations will be key to affecting meaningful change to our organization and institutional safeguards. This is a broad-ranging set of reforms, which will require a stepwise and considered approach, taking into account views of all stakeholders.

In that vein, Board and Management have identified several key areas on which work can commence swiftly, in close consultation with staff:

- **On data and analysis integrity**, the Board supports calls to clarify the terms of engagement between OED and staff/management, including through a timely review of the Transparency Policy, recognizing that Executive Directors often play a dual role in that they are officials of the Fund and at the same time represent the views of the member countries which have elected them. Work on this exercise can start quickly, though it will be important to give time for considered consultations with OEDs, staff and Management. Management also supports enhancing the transparency and documentation of internal review processes; clarifying the role of Management in the clearance of staff reports; and establishing mechanisms to help ensure evenhanded coverage of emerging areas.
- **On internal governance and staff voice**, the Board and Management agree that demonstrably setting tone at the top is essential to guiding and supporting change. We also recommend investing additional effort and resources that will expand trust in the DRS and address fears of retaliation by making it more transparent (while protecting confidentiality), more efficient, more accountable, and more focused on opportunities for earlier and less formal resolution of disputes. We also commit to continued monitoring of progress in these areas through regular staff engagement and timely sentiment surveys. **Specific actions here which will be advanced in the near term include:**
 - Taking additional steps during internal investigations to ensure protection against retaliation for those who come forward with claims and/or complaints, including more proactive consideration of interim protective measures and greater coordination between the DRS processes for protecting whistleblowers and for establishing individual accountability for misconduct.
 - Reviewing the ethical frameworks applicable to the Board and Management and thereafter proposing changes as needed, to ensure that these reflect the highest standards of ethical conduct, befitting the Fund's status; and that the mechanisms for compliance and accountability are robust.
 - Introduce measures to promote greater transparency of the important work of the Board's Ethics Committee.

- Reviewing existing frameworks to enable the publication of summary statements of financial assets and interests by the MD and DMDs, in line with the best practices in other international financial institutions, in time for the next annual disclosure program.
- Taking steps to expand the access of OED employees to the Fund's informal dispute-resolution mechanisms.
- Broadening of the terms of reference of both the Ombudsperson and the Mediator to include dealing with allegations of undue influence by Management or the Board on Staff, at least until other mechanisms are in place.
- Establishing a process for regular engagement between the Heads of the DRS Offices and the Managing Director, with an annual report to the Board.
- Developing a Fund-wide communication plan to raise awareness of: (i) the mechanisms available for staff to raise concerns, including around issues of undue influence; and (ii) the existing protections for protection from retaliation where these mechanisms are pursued.

Beyond these immediate steps, the Board and Management commit to further work to determine how best to implement a comprehensive set of measures and policy changes which represent significant institutional, structural, and cultural change, and may also require additional changes in staffing and/or financial resources. Management and the Board will develop an action plan over the next six months—by the end of the calendar year—to show how more comprehensive implementation will proceed. The plan will be developed in close consultation with staff and will carefully consider all of the reports' recommendations, as well as the immediate actions described above. It will include timelines, responsibilities, and staff and budget resources needed, along with how outcomes will be monitored, assessed and reviewed, and an explanation where recommendations may not be feasible or practical.

The Executive Board and Management underscore our commitment to ensuring data and analytical integrity and fostering an inclusive working environment which supports all staff in serving the IMF's member countries in an effective, evenhanded, and impartial manner.



June 9, 2022

DATA AND ANALYSIS INTEGRITY AT THE FUND: STOCKTAKING AND RECOMMENDATIONS

EXECUTIVE SUMMARY

Ensuring the integrity of data and analysis is fundamental to the Fund's ability to deliver on its mandate. Executive Directors rely upon staff's expert, independent, and technical analysis to guide them in their deliberations. The Fund's membership and other stakeholders look to Fund analysis to inform their economic, financial, and policy decisions. Without data and analytical integrity, the Fund cannot fulfill its mandate under the Articles of Agreement and provide accurate, well-tailored and evenhanded policy advice to the membership in its surveillance, capacity development or lending roles.

As part of the Fund's [institutional safeguards review](#), a Working Group on Data and Analysis Integrity (WGDAI) was established to assess the possible need for changes in processes safeguarding the integrity of data and analysis at the Fund.

In line with the WGDAI's mandate, this paper presents an overview of the frameworks and processes in place at the Fund to safeguard data and analytical integrity, identifies pressure points, and lays out high-level findings and recommendations. The Working Group assessed analytical integrity by examining the safeguards related to the scope, quality and independence of staff analysis and policy advice. This work thus builds on periodic reviews of Fund policies by the IMF Board and evaluations by the Independent Evaluation Office (IEO) that have looked at specific features of these frameworks. Proposals to promote openness and dialogue arising from other workstreams under the safeguards review would reinforce the WGDAI's recommendations by enhancing staff's capacity to speak truth to power.

Supporting Data Integrity

The IMF primarily uses data supplied by its membership to fulfil its core mandate.

In view of the criticality of accurate and timely data, the Fund's Articles of Agreement compel all members to supply certain information, which is compiled mainly by national statistical offices, central bank/financial regulators, and ministries of finance. On a voluntary basis, members also provide extensive information beyond what is mandated. As needed, the Fund supplements these official data with 'third party indicators' from other institutions. Staff use such data in the course of their work, including to generate

estimates, projections, and various analytical constructs, some of which can be viewed as data in their own right. Thus, a critical issue for the Fund is what steps it should take to ensure the integrity of the diverse data on which it bases its analyses, policy advice, and lending operations.

The IMF has initiated and progressively enhanced a number of initiatives to help members prepare official data of adequate quality. The IMF's Statistics Department has co-authored virtually all statistical methodologies for macroeconomic and financial statistics in its capacity as a standard setter, helping establish clarity about the required standards. To help members attain these standards, the Fund provides targeted capacity development on statistical issues, and prepares Reports on the Observance of Standards and Codes ([Data ROSCs](#)). The Fund's Data Dissemination Initiatives further promote integrity by widening access to data and allowing outside observers to scrutinize their integrity. IMF staff routinely check data for consistency and outliers in the data provided, which can help pinpoint and resolve issues with data integrity. All these activities have direct and indirect benefits beyond helping member countries fulfil their obligations to report data to the Fund, including promoting transparency and helping effective conduct of economic policies.

Assessing data integrity and supporting countries' efforts to achieve high standards has required a sustained commitment on the part of the Fund. While most Fund members provide an array of macroeconomic and financial data going beyond minimum requirements, in some 20 countries official data has been assessed by staff as having serious shortcomings that significantly hamper surveillance; in most cases this reflects capacity constraints that the Fund is seeking to address through capacity development (CD). Statistical methodologies need to be continually updated in line with economic change and innovation. The evolving economic landscape also means that the Fund needs more data—covering more areas, at higher frequency and with more granularity. The Fund has periodically reviewed the members' provision of data to the Fund and the latest review of the Fund's data provision policy is currently underway.

Staff Analysis

Staff reports are the Fund's principal written output, a vehicle that combines data and other factual evidence, staff analysis and policy advice to convey staff's views clearly and candidly. In country work, staff reports distill staff's analytical work, assessments and policy advice discussed with country authorities. The objective is to provide an expert, independent, technical basis for Board decisions, and to offer the Fund's membership and other stakeholders independent reasoned analysis to inform their economic, financial, and policy decisions. Staff apply data analyses and analytical tools coupled with informed judgement as needed to arrive at balanced assessments and to finalize policy advice, drawing on peer

learning and other country cases. To ensure that advice is well-tailored and attuned to the needs of the membership, staff reports must be informed by a range of considerations, and draw on a continuous dialogue with a wide range of stakeholders.

This report illustrates how staff conducts key elements of analysis drawing on two examples that are focal points of staff’s analysis in country work:

- **The production of a set of consistent forecasts of macroeconomic variables is a starting point for the Fund’s policy advice.** A forecast by Fund staff is built around a baseline scenario, although the staff report will also explore the balance of risks given the inherent uncertainties. The forecast coupled with other analyses of vulnerabilities will serve as a basis for Fund staff’s recommendations, including proposed changes to macroeconomic policy settings.
- **The Fund routinely uses analytical tools to help ensure that its analysis, forecasts, and advice in macro-critical policy areas are well grounded.** Examples include the External Sector Assessments (ESAs) and Debt Sustainability Analyses (DSAs), which are based upon Board-endorsed methodologies and supported by guidance notes that help enhance transparency and the evenhanded application of the tools, including the appropriate reliance on judgement. Such work has implications for the Fund’s overall assessment of vulnerabilities and its capacity to lend.

A continuous and robust dialogue with the members’ authorities and other stakeholders will help staff to arrive at the most appropriate policy advice.

Engaging in a thorough debate with the membership can surface new evidence and ways of addressing policy challenges, helping staff tailor their analysis and advice to country circumstances. In that regard, country authorities and OED have an important role to play in providing comments on staff’s analysis (e.g., in discussions during country missions, or as part of consultation with OEDs on important policy matters), and this can be a healthy part of such a dialogue. Fund staff should engage in an equally candid dialogue with a wide range of other stakeholders with relevant expertise, including academics, civil society and financial market professionals—whose perspectives may not necessarily coincide with those of the authorities.

Staff’s analysis can at times be subject to undue pressure. Its nature can vary depending on circumstances and is inherently difficult to measure, but includes taking steps that go beyond exchanging information and offering alternative views to exerting pressure to influence the outcome of staff reports in a manner that is not substantively justified (e.g., by implicit or explicit intimidations, lobbying key decision-makers in the Fund, or withholding information). Past experience with, and expectations of, undue pressure can result in self-censoring, which runs counter to the Fund’s goal of developing a culture of openness and dialogue. Undue pressure can occur in the context of any of the Fund’s core functions (surveillance, the use of

Fund resources or capacity development). Some 18 percent of Fund staff reported in a survey for the Institutional Safeguards review that their work had been unduly influenced (i.e., undermining analytical integrity).

Supporting the Integrity of Staff Analysis: Review and Clearance Processes

The Fund’s internal processes for reviewing and finalizing staff reports before publication have been designed to safeguard the scope, quality and independence of analysis, although pressure points lead to risks that integrity could be undermined. To assess the robustness of these processes—which apply to Fund surveillance as well as lending—the working group looked in depth at key points of transition (or ‘nodes’) where the integrity of staff analysis could either be reinforced or undermined, specifically: (i) clearance of documents by authoring departments; (ii) interdepartmental review and clearance; (iii) Management clearance; and (iv) Board and authorities’ engagement. The group also considered the linkages between these transition points, including the scope for country authorities to unduly influence internal processes, directly or indirectly.

The internal clearance and interdepartmental review processes operate within the scope of the Fund’s policies and practices, but pressures can still arise. The choice of topics covered in a staff report is guided by Fund policies while still leaving room for staff judgement. For the most part, staff use that judgement to focus on macro-critical topics that would build traction with the authorities, based on consultations. However, risk remains that Fund staff will select topics that appear important for the institution as a whole even if less justified in the specific country (e.g., on emerging issues like climate and digitalization), or select topics that would minimize sensitivities with country authorities. In general, the Fund’s culture tends not to sufficiently incentivize staff to voice dissenting views. The interdepartmental review process can help mitigate these risks through careful scrutiny of the scope and content of the analysis and advice in staff reports to ensure evenhanded analysis and advice that remain focused on the Fund’s core mandates.

Management clearance is needed before staff reports are circulated to the Executive Board for consideration prior to possible publication. Management’s capacity to adjudicate effectively any outstanding issues from the interdepartmental review process hinges on departments providing the relevant information and adequate follow-up discussions with all relevant parties. Management also has a dual role (i.e., the Managing Director is both head of staff and Chair of the Board) and takes into account a wide range of considerations when reaching a decision. In view of these roles, country authorities may seek to exert pressure on Management to influence the outcome of staff’s analysis and policy advice.

With respect to interactions with country authorities and the Executive Board, the Fund’s policies and operating practices aim to promote effective engagement, so as to ensure traction with its policy recommendations, while

respecting the principle of the independence of staff analysis. Key Board decisions and guidance notes emphasize the importance of an open two-way dialogue with country authorities, directly and through the Executive Director for the particular country (Executive Directors are officials of the Fund with a fiduciary duty to act in the interest of the institution, but they may (and often do) routinely communicate the views of one or more of the members of their constituencies to the Board, Management and staff). This continuous engagement seeks to support traction, avoid surprises and ensure authorities' views are accurately reflected. At the same time, staff reports must not be negotiated with country authorities. For policy papers, staff may reach out to Board members for informal consultations ahead of any formal discussions at the Board level. While staff's dialogue with Board representatives is mostly able to find this balance, there may nevertheless be scope for individual Board offices or representatives to attempt to exercise undue influence on staff's analysis. As the Fund's culture encourages consensus building, staff may feel disincentivized to push back, and there is a need to strengthen the mechanisms for staff to raise concerns about potential undue pressure on analytical integrity.

The IMF's transparency policy represents a key safeguard for the integrity of Fund analysis, and helps insulate staff and the institution from undue pressures after a document has been issued to the Executive Board. Once a document has been circulated to the Board, the Transparency Policy protects the integrity of Fund analysis by limiting modifications to staff reports to specific limited circumstances. In case of disagreement, the Board's views are reflected in the summing up and highlighted in the final document. Country authorities can decline to allow the Fund to publish documents about their countries.

Findings and Recommendations

The Working Group's overall assessment is that strong frameworks and processes are in place to support the integrity of data and analysis at the Fund. In surveillance and lending, staff, relying on a variety of data sources, applies quantitative tools, frameworks, and informed judgement to arrive at policy recommendations. The processes and practices supporting staff's analysis are governed by frameworks and policies that have evolved over time—reflecting many years of experience—and are periodically reviewed. Their application is carefully examined in the interdepartmental review process, during which other departments systematically review and comment on reports.

Improvements in a few areas could, however, further enhance analytical integrity. The Working Group, reflecting on the information summarized in this paper and drawing on discussions with focus group participants, the Steering Group of Executive Directors and informal discussions with other international financial institutions, considers that existing processes can be improved. More can be done to clarify the role of Management and Offices of Executive Directors (OED) in staff's

conduct of analyses. These clarifications, paired with measures to strengthen staff's voice in instances where staff feels analysis integrity may have come under undue pressure, can help prevent their occurrence in the first place, and reinforce the independence of staff analysis. With new areas gaining importance in the Fund's work, an evenhanded coverage based on objective and clearly communicated criteria will further help protect staff's analysis from perceived undue pressure. Finally, while the internal review system generally functions well, its transparency and documentation should be improved as part of the ongoing initiative to update the platform and introduce new functionalities. Following implementation of IDW, it would be helpful for the Office of Internal Audit (OIA) to assess how the internal review process has adapted to the new platform. To lay the groundwork for that audit, the OIA should conduct a benchmarking exercise with other institutions over the course of FY23, with the exact scope of the subsequent OIA audit finalized at a later stage.

The Working Group's findings should be seen as a contribution to wider discussions about data and analytical integrity at the Fund, complementing the work of the Board Steering Group. The recommendations do not seek to address all risks identified in this paper. Furthermore, some of the recommendations in this paper will require further consideration and discussion to be refined into actionable proposals, drawing on all the work carried out under the Institutional Safeguards review.

Table 1. Recommendations and Findings	
1. Clarify the Terms of Engagement of OED with Staff in Staff’s Conduct of Analysis	
Proposals	(i) Engage with the Board to clarify and formalize the terms of engagement with staff. (ii) Strengthen the effectiveness of mechanisms for staff to raise concerns about undue influence (in coordination with WGIGSV). Input from OMD, LEG, SEC, ADs and SPR.; consultation with other departments as needed.
Impact on Analytical Integrity	High
Estimated Cost	Medium
2. Clarify the Role of Management in the Clearance of Staff Papers and Positions	
Proposal	Codify and document best practices and enhance transparency around clearance of policy notes and staff reports. Input from OMD, LEG, ADs, and SPR.; consultation with other departments as needed.
Impact on Analytical Integrity	High
Estimated Cost	Low
3. Complete Ongoing Work to Help Ensure Evenhanded Coverage of Emerging Areas in Surveillance	
Proposal	Draft guidelines on coverage of emerging areas. Led by SPR with respective groups and reflected in the guidance notes. Consultation with other departments as needed.
Impact on Analytical Integrity	Medium
Estimated Cost	Medium
4. Further Strengthen the Transparency and Documentation of the Internal Review Process, and Assess how it has Adapted to the Integrated Digital Workplace (IDW).	
Proposal	(i) Guidelines to be drafted by SPR, in consultation with other departments, for endorsement by OMD. (ii) Audit (by OIA) on how the internal review process has adapted to the implementation of the Integrated Digital Workplace (IDW).
Impact on Analytical Integrity	Low
Estimated Cost	Medium

Approved By
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Prepared by a team supporting the Working Group on Data and Analysis Integrity (WGDAI) comprising Fabian Bornhorst, Gavin Gray, David Hart, Sanjaya Panth (all SPR), and J. R. Rosales (STA) with inputs from other departments.

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CONTEXT

- 1. In November 2021, Fund Management established a Working Group on Data and Analysis Integrity (WGDAI).** The initiative was prompted by questions, that emerged in the wake of the World Bank's investigation into its Doing Business report, on whether the Fund's institutional safeguards to ensure the integrity of data and technical analysis remained fit for purpose. The mandate of the WGDAI has included taking stock of the current framework for data and analysis integrity,¹ ascertaining whether any changes to processes and procedures governing data integrity are warranted, assessing if roles and responsibilities in key internal processes need clarification, and putting forward recommendations.
- 2. The WGDAI has drawn on expertise from across the Fund to prepare its report, as well as the perspectives of a range of stakeholders inside and outside the institution (see Annex V).** The paper presents a thorough stocktaking of internal processes, and identifies challenges and pressure points, drawing on detailed discussions with focus groups involving staff from across the Fund. The draft paper was also extensively reviewed by departments, and the team benefited from discussions with the Board Steering Group, interactions with the IEO and the parallel group on Internal Governance and Staff Voice (WGIGSV). Finally, it was enriched by discussions with senior officials from other international financial institutions producing analytical outputs.
- 3. This document presents the working group's findings and recommendations, and is organized as follows.** First, it lays out the frameworks and principles in place at the Fund to help ensure data integrity, recognizing that data used by the Fund in its core work are, for the most part, provided by national authorities.² Second, it examines the intersection between data and Fund analysis in terms of the Fund's approach to forecasting coupled with an in-depth look at frameworks and procedures in two key areas of Fund analysis: external sector and debt sustainability assessments. Third, it presents the institutional processes at the Fund for reviewing and clearing staff analysis to be included in Board documents, focusing on key points of transition (or 'nodes') where the integrity of the analysis could be enhanced or undermined. Finally, it presents the working group's recommendations, drawing both on this analysis and points emerging from the focus groups. Some of the recommendations in this paper will require further consideration and discussion to be refined into actionable proposals, drawing on all the work carried out under the Institutional Safeguards review.

¹ For the purpose of this exercise, the Working Group has assessed analytical integrity by examining the safeguards related to the scope, quality and independence of staff analysis and policy advice.

² While Fund staff primarily use official sources, they also (where needed) draw on third-party indicators. The Fund also produces estimates and analytical constructs, derived from information provided by Fund members, some of which can be viewed as data in their own right.

SUPPORTING THE INTEGRITY OF STAFF ANALYSIS: DATA

This section summarizes the principles and frameworks that sustain data integrity in the production of official statistics, and the work conducted by Fund staff to promote data integrity among compilers in member countries. It also reviews internal procedures and processes to monitor official data provided to the Fund and assess their conformity with integrity expectations.³ The section concludes with a brief discussion of the use of Third-Party Indicators.

A. Official Data—An Essential Input

4. Most data used by the Fund to discharge its core responsibilities are official data.

These are supplied by compilers in member countries including statistical offices, central banks/financial regulators, and ministries of finance. The majority of authorities provide data directly to the Fund for various purposes. Article VIII, Section 5—and related Board decisions—stipulate the minimum data that must be provided to the Fund for its activities. The associated data provision framework is reviewed periodically by the Executive Board, and this framework has progressed over time to reflect evolving economic conditions and surveillance needs. The latest review of Data Provision to the Fund for Surveillance Purposes is currently underway. Primarily drawing on official data, the Fund produces estimates and analytical constructs, some of which can be viewed as data in their own right. Where needed staff also make use of so-called third-party indicators (see para 19–20).

B. Integrity—A Pillar of Data Quality

5. **Data quality has a multi-dimensional foundation.** High quality requires that data be compiled and disseminated according to internationally accepted principles and standards that cover technical/methodological⁴ as well as legal and integrity dimensions. These dimensions have been codified in the IMF's [Data Quality Assessment Framework](#) endorsed by the Executive Board in 2001 and 2012 and are fully congruent with the U.N.'s [Fundamental Principles of Official Statistics](#) adopted by the General Assembly of the United Nations in 2014. Most notably as regards integrity, these principles call for statistical production to be (i) completely devoid of political interference; (ii) absolutely impartial; and (iii) conducted by professionals whose recruitment and promotion are uniquely focused on excellence, with exclusive regard for stellar experience, technical, and academic credentials.

6. **Data integrity is a fundamental pillar of quality.** With proper training, professional independence, and bound by a strong ethics code mandating impartiality and fostering the pursuit

³ Fund staff forecasts and projections are discussed in section III.

⁴ Statistical methodology refers to the broad set of concepts and definitions, scope, sectorization, and general guidance recommended for compiling the macroeconomic and financial statistics.

of technical excellence, statisticians are required to produce high-quality data. Integrity expectations include absence of political interference and observance of internationally accepted methodologies, with data validation using standardized statistical protocols to correct for aberrant and inconsistent values and to ensure proper recording. Data storage, retrieval, and dissemination also are expected to be transparent and conducted according to clear and well-established procedures, disclosing sources and methods.

C. Promoting Official Data Integrity

7. A fundamental role of the Fund’s Statistics Department (STA) is to help member countries provide to the Fund the official data that is required for surveillance, lending, and other core activities. To this end, STA has developed a set of complementary interventions that span a spectrum of technical support focused on the macroeconomic and financial statistics—the essential information necessary for the Fund to assess economic conditions and policies and to craft credible policy advice.

8. STA serves as standard setter, provider of capacity development (CD), assessor of the observance of standards and codes, and promoter of data transparency. Throughout these integrated interventions, STA calls on the authorities to ensure integrity in data compilation and dissemination, as a fundamental pillar of data quality. STA has authored or co-authored virtually all statistical methodologies used around the world for six decades to compile macroeconomic and financial statistics. These methodological standards provide the definitions, concepts, and methods to collect, produce, and disseminate data in a standardized and comparable manner. Such methodological guidance is the basis for a global capacity development program—targeted technical assistance and training—that sustains implementation of statistical standards and the continuous improvement of data production and dissemination to support Fund objectives.

9. Growing reliance on donor partnerships to fund technical assistance and training has expanded the number of stakeholders monitoring data integrity. Most of STA’s capacity development interventions are now funded by donor resources. Consequently, the planning, monitoring, and evaluation of CD is now broadly open to close monitoring by donors. The question of data integrity attracts keen interest from donors both focusing on official data as well as on the nature of Fund interventions, which has led the CD program to become more accountable, transparent, and outcomes oriented.

10. To assess data quality—integrity and its other dimensions—STA prepares Reports on the Observance of Standards and Codes (Data ROSCs). A well-established exercise conducted for over two decades for about 85 members (including for statistically advanced countries), preparation of a Data ROSC involves an in-depth evaluation of selected macroeconomic statistics based on the multi-dimensional [Data Quality Assessment Framework](#) (Annex 1).⁵ The assessments are summarized in ratings that specify the extent to which domestic practices meet international standards, including

⁵ Staff also uses the Data Quality Assessment Framework to render technical views about Third-Party Indicators in annual updates of the Third-Party Indicators Survey circulated annually to the Board (see Section F).

as regards data integrity. Assessments also consider data issues raised by Fund evaluations in other domains—financial sector assessment, fiscal transparency, and public investment management.

11. To evaluate data quality for the benefit of all users, a Data ROSC may cover the full range of macroeconomic statistics, and surveys public and private sector users. The results of the survey are discussed with selected users (which may include international stakeholders), including to elicit any concerns about data integrity. The published document also includes a formal *Response of the Authorities* wherein the authorities provide feedback on the assessment and specify plans for closing gaps and improving data quality, including as regards integrity. As warranted, the findings and recommendations also inform the appraisal in the Article IV Staff Report and may be cross-referenced in its statistical issues appendix.

12. Official data integrity also is promoted through the Fund’s Data Standards Initiatives—the enhanced General Data Dissemination System (e-GDDS), Special Data Dissemination Standard (SDDS), and the SDDS Plus. Drawing nearly universal participation of the Fund membership,⁶ under the initiatives the authorities publish data essential to assess economic conditions and policies in line with pre-announced release calendars. Such disciplined exercise in publication of data and metadata allow the public, market participants, and rating agencies to conduct their own surveillance of economic conditions and policies, while facilitating awareness about integrity risks as data are closely inspected by such users. In this framework, users can ask questions to the authorities and/or the Fund about trends that might appear questionable when confronted with alternative data. Users also can point to publication delays that might signal deviations from best practice. STA monitors performance under the initiatives and publishes annual monitoring reports.

D. Monitoring Data Integrity

13. Staff routinely checks official data for possible evidence of integrity shortfalls, which in rare cases could lead to formal sanctions against a member that has provided inaccurate data. IMF country teams scrutinize official data upon receipt, including to verify that member countries are providing the data required under Article VIII, Section 5—in as accurate a form as practicable. With respect to the data required under Article VIII, Section 5, if doubts arise about the accuracy of the data provided, staff of the respective area department engages with the authorities to seek clarification, and can ask STA for guidance if their doubts have not been resolved. In the rare case where shortfalls in data provision are due to reasons other than capacity constraints, staff will inform Management. Ultimately, formal proceedings for a breach of obligations will be initiated, with a report sent to the IMF’s Executive Board. Such action can lead to the censure of or formal

⁶ Only seven member countries (Andorra, Eritrea, Nauru, New Zealand, Somalia, South Sudan, and Turkmenistan) are outside of the data dissemination initiatives, with Andorra, New Zealand and Somalia currently working with STA staff to join the dissemination initiatives in the near term.

sanctions against the member that provided inaccurate data, which can culminate in mandatory withdrawal of the member from the Fund, although such escalations are rare.⁷

14. Data sent voluntarily to the Fund for re-dissemination in the IMF data publications—such as *International Financial Statistics*—are checked and validated. When doubts arise about official data sent for re-dissemination, STA staff engages the authorities seeking timely resolution, offering technical assistance, if warranted. Official data reporters are regularly requested to check and confirm the validity of any suspicious or incomplete values, as well as to correct and resubmit data whenever errors are detected. Given the voluntary nature of reporting of data for re-dissemination, in contrast to the legal framework governing mandatory data (para 14) STA relies on informal dialogue to ensure regularity, timeliness, and observance of methodological requirements.

15. Beyond the framework for addressing the provision of inaccurate data, non-provision and late provision of data, country teams routinely seek to assess the adequacy of data for surveillance purposes. While statistically advanced countries are generally able to provide data according to the latest statistical standards, many countries provide data that, while not sufficiently poor to be deemed inadequate for surveillance purposes, still fall short of the latest standards, including because of capacity constraints. Nevertheless, country teams must work with the available official data, while mindful of shortcomings that could affect their analyses. For this reason, the Board has required since 2004 that staff reports provide a descriptive assessment of the adequacy of official data for surveillance purposes. This helps inform the Board of data deficiencies that might hamper analyses and erode the credibility of policy advice. STA supports the preparation and updating of these assessments, including through the Fund-wide review process, where STA economists contribute to the analysis of data issues prepared by country teams and presented in the main body of the staff report as well as in its statistical issues appendix.

16. In line with IEO recommendations, staff proposed in March 2022 a more structured and transparent assessment of data adequacy for surveillance. The issue of how staff handles issues of official data integrity was reviewed by the IEO in its 2016 evaluation of [data and statistics](#) at the Fund. At that time, the IEO also saw a need for country teams to do more to assess the inter-sectoral consistency of macroeconomic data to inform assessments of data adequacy for surveillance. In their view, this would reduce cases of data manipulation going undetected for a long period.⁸

17. STA follows the same principles of integrity that it promotes in member countries in its data operations. Such operations use the latest methodological standards and include quality assessments. Data integrity also entails due regard for respondents' confidentiality. For example, STA protects the confidentiality of official data on the currency composition of reserves provided by authorities through a periodic survey (COFER), including by restricting access to such data to a very

⁷ [Guidance Note on Data Provision to the Fund for Surveillance Purposes \(2013\)](#)

⁸ See Independent Evaluation Office, 2016, [Inadequate Data and Faulty Analysis](#), Washington D.C., International Monetary Fund.

reduced number of staff responsible for maintaining the related database. The use of aggregate COFER data releases protects against indirect disclosure of individual country data. This also extends to the survey of securities held as foreign exchange reserves (SEFER)—an adjunct survey to STA’s Coordinated Portfolio Investment Survey.

18. Fund staff produce estimates, projections and various analytical constructs using data and information derived from official sources, some of which can be considered indicators or data in their own right. Examples include analytical concepts in the World Economic Outlook (e.g., output gap, structural fiscal balance). Using the input of national authorities, the Fund also produces data on cross border claims using the Coordinated Portfolio Investment Survey and the Coordinated Direct Investment Survey and other topical databases (e.g., Global Debt Database). The Fund also publishes the AREAER, including exchange rate regime assessments, the Macroprudential Survey and iMapp database, which are based on information provided voluntarily by the authorities and used widely in staff analysis as well as in the economic literature. While the original source of all of these remains information and data provided by authorities, robust internal processes are still required to ensure the integrity of the informational content of the Fund’s constructs, some of which inherently require an element of judgement in the production process. The internal review process discussed further below provide safeguards in many respects as these constructs (such as estimates of output gaps and structural balances) are vetted in the course of the preparation of staff analyses while others are reviewed independently by departments other than those responsible for their production—such as the review of the AREAER by area departments. To the extent that there remain any indicators, estimates or analytical constructs that do not go through the internal review process, departments responsible for their compilation should ensure that they do so.

E. Panoramic View of the Membership and Statistical Challenges

19. The Fund’s comprehensive framework to improve statistics and safeguard data integrity have been broadly effective, but scope for improvement remains. The vast majority of staff reports are based on an array of macroeconomic and financial data that offer a strong basis for analysis of specific country conditions and the Fund’s policy advice. In only slightly over 20 cases, staff have assessed official data to suffer from serious shortcomings that significantly hamper surveillance, and for at least five years there have been no breaches of obligations arising from the provision of inaccurate data to the Fund for surveillance purposes—although there was a case of persistently late provision of data.⁹ Most cases of severe issues involve the weak capacity problems seen in fragile and vulnerable countries. Staff will intensify CD efforts tailored to FCS while continuing to address demands to support further statistical improvement elsewhere. On timeliness and periodicity, the Fund will continue to work with members to further improve the data standards initiatives, which were reviewed in February 2022.

20. In spite of the progress by Fund members in producing data to support

⁹ In addition to these provisions under surveillance, the Fund has developed policies on misreporting to handle cases where members with Fund arrangements fail to provide accurate data required for monitoring performance under the program.

evidence-based policies, statistical challenges remain significant as regards data volumes and quality. With constant rapid change in the world economy, the deepening of financial markets, and globalization, the Fund needs more data—spanning more ambits, and with more granularity and higher frequency—to be able to assess economic conditions and policies comprehensively and with sufficient timeliness. To ensure its effectiveness, the Fund reviews periodically data provision to the Fund for surveillance purposes and other Fund activities, as well as the list of data that participants in the data standards initiatives are to publish for the benefit of markets and the public. From the quality perspective, the statistical challenges also remain dynamic as statistical standard setters must continually introduce improved methodologies to better reflect economic change and innovation. For example, the next upgrade of the methodologies guiding the compilation of the macroeconomic statistics (national accounts, balance of payments/international investment position, government finance statistics, and monetary and financial statistics) is expected to culminate in 2025. Thus, another cycle of implementation of the latest methodologies will begin soon after, with the more statistically advanced countries expected to maintain the lead in implementation. The Fund’s CD program will have to be re-calibrated to help lower-capacity countries reflect methodological progress in their statistical system.

F. Use of Third-Party Indicators in Staff Analysis

21. Fund staff also use third-party indicators (TPIs)—i.e., indicators that have not been compiled by the Fund or member country authorities—subject to the Fund’s TPI policy. While the data provided by members to the Fund form the basis for staff’s analysis in surveillance and lending contexts, such third-party indicators, including from commercial data providers, can fill gaps and enrich analysis. Use of TPIs in Fund work should follow the principles and best practices laid out in the [TPI guidance note](#) to ensure transparency in the selection and use of indicators. An internal TPI Digest helps staff better understand statistical characteristics, strengths, and weaknesses of commonly used TPIs and how they should be used and presented in staff reports. Following the World Bank’s decision to pause the publication of the Doing Business Report in August 2020, interim guidance from SPR and STA was issued asking staff to cease its use in country and policy documents. With the discontinuation of the Doing Business Report in September 2021, this guidance has been made permanent.

SUPPORTING THE INTEGRITY OF STAFF ANALYSIS: PREPARING STAFF REPORTS

This section first outlines the various legal, policy, analytical, and contextual considerations that shape the content of staff reports, and the nature of undue pressure that staff analysis may face. It then focuses on two areas of a staff report that come under particular scrutiny and may thus be a focal point for ensuring analytical integrity: (i) the development of macroeconomic forecasts and (ii) the use of analytical tools to provide a rigorous grounding for Fund policy advice.

A. Main Considerations

22. The primary purpose of an IMF staff report is to provide an expert, independent, technical analysis as the basis for Board decisions or information. Executive Directors rely upon staff's analysis to guide them in their deliberations. The Fund's membership and other stakeholders also look to Fund analysis to inform their economic, financial, and policy decisions. Therefore, preserving analytical integrity in staff reports—defined as taking steps to safeguard the quality and the independence of staff analysis and views—is an essential component of efforts to ensure sound decision making, credibility, and traction.¹⁰ Moreover, weaknesses in data and analytical integrity could pose reputational risks to the Fund.¹¹

23. The content of a staff report is guided by relevant legal and policy frameworks as well as by practices and procedures to support high quality, evenhanded and relevant analysis. Therefore, the independence of staff's views takes place within a defined set of boundaries.

- The substantive policies that underpin the Fund's analytical work are **discussed and approved by the Executive Board**, and are subject to **periodic reviews** by the Board to ensure that they remain appropriate for the institution's needs (see Table 2).¹² IEO Evaluations routinely include recommendation to modify practices at the Fund, which can inform future reviews of policies by the Board. Audits conducted by the Office of Internal Audit (OIA) can support the effective implementation of policies (see para 38).
- For country reports in the context of **surveillance**, the requirements are guided by the relevant Fund's legal and policy frameworks, including Management guidance to staff. For example, the Fund's surveillance reports (i.e., Article IV consultation staff reports) must be consistent with the 2012 Integrated Surveillance Decision, which expands upon provisions in the Articles of Agreement and subsequent Board decisions. Guidance notes approved by Management summarize and further elaborate on the requirements for the [preparation of Article IV staff reports](#). Within the boundaries of the [Integrated Surveillance Decision](#) (ISD) and relevant guidance notes, staff are encouraged to be selective and risk-based in their focus and consult with member country authorities. For policies not otherwise mandated by the ISD, an assessment is required to determine whether a policy area is deemed macrocritical¹³ and thus necessary to be analyzed as part of a surveillance report. More recently, the 2021 Comprehensive Surveillance Review (CSR) called for a more systemic integration of emerging topics, including climate change, into the Fund's surveillance activities. Evenhandedness,

¹⁰ The same considerations apply to documents intended for other audiences, e.g., capacity development reports.

¹¹ Under the Fund's enterprise risk taxonomy, these could include credibility risks (trust in the Fund's output), integrity risks (trust in terms of transparency and engagement), and objectivity risks (the Fund's impartiality in terms of evenhandedness and accountability).

¹² Fund policies are normally reviewed every five years, although reviews can be delayed if there are no pressing issues or other priorities have emerged, as was the case after the outbreak of the COVID-19 pandemic.

¹³ Defined as policies of members that significantly influence present or prospective balance of payments or domestic stability, as set forth in ISD para 6.

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understood as countries in similar circumstances being treated similarly, is essential for effective surveillance. An actual or perceived lack of evenhandedness can undermine the legitimacy and credibility of the Fund's analysis and advice.

- For staff reports prepared in the context of **Use of Fund Resources (UFR)** by members (i.e., Fund lending operations), the Fund's engagement and documents should be consistent with the Guidelines on Conditionality and other established policies and practices (e.g., the LIC Handbook for PRGT eligible countries). In the program context, an accurate diagnosis by staff of a member's economic policy challenges is essential for effective program design. On the other hand, ownership of the policies needed to correct imbalances is critical for success. An element of judgement is unavoidable, for example, on which reform measure is of critical importance for achieving the goals of the member's program or for monitoring program implementation such that it should be a structural benchmark in the context of program documents. Staff will reach understandings with the authorities on policy commitments, which will be laid out in a letter of intent and memorandum of economic and financial policy (MEFP)—which are published with the staff report but are the authorities' documents.
- For the flagship reports, a focal point is the conjunctural chapters. Building on the aggregation of individual country forecasts and an analysis of cross cutting policy challenges, the WEO, GFSR, and Fiscal Monitor provide a synthesized basis for the formulation of global policy challenges. The choice of topics for analytical chapters, which are part of the flagship reports, is a matter of judgement by the authoring departments based on conjunctural developments and other institutional priorities, but is also informed by dialogue with other departments, Management, the Board and the membership.
- The Fund's CD is based on criteria approved by the Board in the context of the review of the Fund's CD strategy but also demand driven. Hence, the topic of capacity development reports is guided by demand from membership but should also support the Fund's surveillance and lending priorities, while operating within the relevant funding constraints.

24. Beyond the legal and policy frameworks, staff reports should be informed by a range of considerations to ensure that advice is well-tailored and will help gain traction among the membership. Such considerations include:

- **Tailored research and analysis:** Staff analysis is informed by topical research and supported by tailored quantitative analysis. Examples of such analysis include selected issues papers (SIPs) for Article IV staff reports and the analytical chapters in the flagship reports (WEO, GFSR, Fiscal Monitor), as well as research and analysis from country authorities and other organizations.
- **Context:** Staff analysis and policy advice are shaped by broader developments at the country, regional, and global level, as well as past Fund advice, political economy and capacity constraints. This country-specific context is further informed by discussions and engagement with country authorities and other stakeholders.

- **Best practices:** Analysis is often informed by best practices and peer learning, especially for the Fund’s capacity development work.
- **Judgement:** Within the perimeter set by Fund policies, the application of data analyses, analytical tools, and economic concepts, judgement is often required in assessments or to finalize policy advice. Judgement is inherently subjective but can be informed by the factors specified above, for example, the relevant Fund policy, experience, peer learning, and broad consultation.

25. Continuous and robust dialogue with members’ authorities and other stakeholders can help staff arrive at the most appropriate policy advice. Many issues facing the membership and Fund staff are complex, debate is inevitable, and positions can be strongly held. It is therefore critical for Fund staff to engage in a debate with members’ authorities, who may highlight new evidence or solutions to policy problems. In that regard, country authorities and OEDs have an important responsibility to provide comments on staff’s analysis in appropriate contexts (e.g., as discussed above, in discussions during country missions, or as part of consultation with OEDs on policy matters). Fund staff should also engage in candid dialogue with a wide range of other stakeholders with relevant expertise, including academics, civil society and financial market professionals—whose views may not necessarily coincide with those of the authorities.

26. At the same time, staff’s analysis can be subject to undue pressure in the process. The nature of this pressure can vary based on circumstances and is inherently difficult to measure, but includes taking steps that go beyond the exchanging of views and information to exerting pressure with the aim of influencing the outcome of staff reports in a manner that is not substantively justified (e.g., by implicit or explicit intimidations, lobbying key decision-makers in the Fund, influencing interlocutors, or withholding information). Past experience with, and expectation of, undue pressure can result in self-censoring, which runs counter to the Fund’s goal of developing a culture of openness and dialogue, and of speaking truth to power.¹⁴ Undue pressure can occur in the context of surveillance, capacity development or the use of Fund resources.¹⁵

27. Overall, Fund reports seek to provide sound macroeconomic assessments and advice based on quality data, credible forecasts, the outputs of analytical tools, and inputs from engagement with the membership and other stakeholders, presented within the relevant global and country-specific context. The next two sections take a closer look at two components of the staff’s work that can be focal point for discussions of analytical integrity: macroeconomic forecasts and the use of analytical tools.

¹⁴ Informal discussions with other IFIs suggest that the challenge of self-censorship is widespread and persistent over time.

¹⁵ A survey conducted as part of the Institutional Safeguards review found that 18 percent of Fund staff responded negatively to a question as to whether their work is not unduly influenced (i.e., undermining analytical integrity). The survey did not, however, seek views on the precise channels for such undue influence.

B. Macroeconomic Forecasts

28. A core element of the Fund’s surveillance and lending activities is the production of a set of consistent forecasts (or projections) of macroeconomic variables. An important feature of Fund forecasts is that they are conditional on a set of assumptions about the member’s current and announced policies. They are also informed by historical data, and should be consistent with regional and global developments and expected paths for key variables (e.g., interest rates, commodity prices). Forecasting methodologies vary from country to country, and series to series depending on circumstances and data availability. Country teams update the projections continuously as new information becomes available and projections are published in country reports (e.g., Article IV or UFR staff reports) and during the regular updates of the World Economic Outlook (WEO).

29. Fund forecasts reflect bottom-up and top-down inputs (Box 1). The iterations between country-level forecasts and in-house models help forecasts converge to the projections reported in the WEO. The interdepartmental review process is another way in which Fund forecasts are regularly scrutinized (see Section IV). These processes represent important checks and help improve the credibility and internal consistency of Fund forecasts. They can also be sources of tension, as disagreements over forecasts may be viewed as a challenge to analytical integrity.

30. Forecasts are also inherently subject to risks and uncertainty. A Fund forecast is built around a baseline scenario, or the most likely path for a given set of macroeconomic variables, but the true path will be affected by a range of interacting variables, some of which are difficult to predict or measure. The baseline should be anchored on assumptions about the authorities’ established policies—which in a UFR context assumes that the authorities’ policies are implemented in full. The discussion of the baseline projection should be complemented by a qualitative and/or quantitative assessment of risks to that forecast. This discussion can be supported by quantitative risk tools (e.g., growth-at-risk), contingency and scenario planning, and conditional policy advice.¹⁶

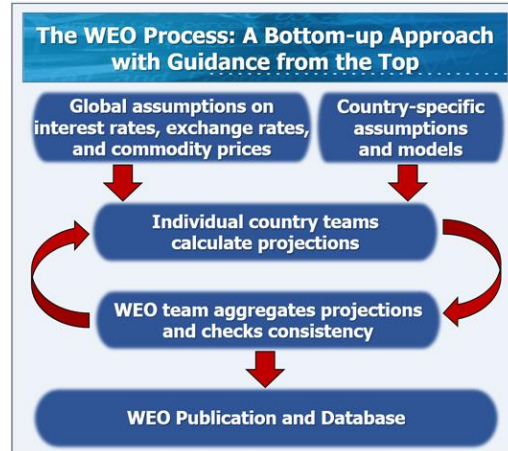
31. IMF forecasts often become focal points in lending and surveillance reports. This includes analytical constructs such as output gaps or structural fiscal balances that are based on these forecasts. Differences of views between Fund staff, the authorities’ forecasts, and consensus forecasts often get substantive media coverage. As such, they represent a potential pressure point for discussions between Fund staff, Management, and country authorities. This dynamic can, in turn, put subtle pressure on staff to self-censor their views.

¹⁶ The 2021 CSR identified confronting risks and uncertainties as one of the Fund’s four surveillance priorities for the next five-to-ten years.

Box 1. IMF Forecasts—Additional Background

World Economic Outlook

The World Economic Outlook (WEO) uses a “bottom-up” approach in producing its forecasts, complemented by “top-down” guidance. Country teams generate projections for individual countries, which are then aggregated and compared to a “top-down” forecast produced by in-house macroeconomic models. Following a series of iterations, the aggregates feed back into individual countries’ forecasts and forecasts converge to the projections reported in the WEO. This process usually takes place semi-annually for all countries, and quarterly for a core set of countries.



Quality of IMF Forecasts

Given the centrality of forecasts for the policy advice at individual country level and the formulation of regional and global policy priorities, well founded projections that are free from bias are essential. The following are important elements in ensuring integrity and consistency.

- At the country level, teams deploy a variety of models and tools (e.g., growth at risk).
- During the internal review process of country reports, projections are routinely discussed and can be adjusted. For example, reviewing departments routinely employ a set of tools to assess plausibility of growth projections, and the consistency of macro-fiscal and macro-financial projections.
- The multilateral and internal consistency of projections achieved through the WEO process goes beyond ensuring that all teams work on shared assumptions about key global variables. The WEO submission process checks each team’s submission for internal consistency and flags major deviations from previous projections. It also works to ensure the aggregate consistency of external positions projected by teams. Finally, the iterative process allows for second round effects before convergence is achieved.

Evaluations

IMF Forecasts have been subject to number of evaluations. The process has been assessed by the IEO (see 2014 : [IMF Forecasts: Process, Quality and Country Perspectives](#)). The [2018 Review of Program Design and Conditionality](#), found Fund programs systematically overestimated growth and recommended increased scrutiny of the realism of program baselines, as well as a better calibration of risks and discussion of downside scenarios and contingency plans.

C. Analytical Tools

32. The Fund routinely uses analytical tools (drawing on official and third-party data) to help ensure that its analysis, forecasts, and advice in macrocritical policy areas are well grounded. Examples of such tools include the External Sector Assessments (ESAs, Box 2) and Debt Sustainability Analysis (DSAs, Box 3), internal tools to assess the consistency of policy advice and forecast evaluation reports, among others.

33. These tools are based upon clear methodologies that are rigorously scrutinized and are often endorsed by the Board and published. This helps enhance transparency and supports the evenhanded application of the tools. Guidance notes and training programs are developed to support the consistent application of such tools by staff, including on how to interpret the results and when to apply judgement. These guidance notes and training programs expand upon (and are derivative of) Board-endorsed policy papers or reviews (e.g., the Comprehensive Surveillance Review).

34. Nevertheless, there are pressure points that complicate the practical application of these tools and could pose risks to analytical integrity. Data quality issues may limit the reliability of the outputs and any tool that builds upon a macroeconomic forecast will be subject to the same challenges discussed in the previous section. In addition, the tools may not fully capture country-specific considerations that may be important when assessing the outputs. The application of judgement is therefore important, but judgement implies scope for disagreement and thus for pressure to arise (both within the Fund or externally) to sway judgement in one direction or another. As noted above, guidance notes can help set boundaries around the use of judgement but do not resolve this challenge entirely.

Box 2. External Sector Assessments (ESAs)—Analysis and Integrity Issues

ESAs support a core function of the Fund, with the Articles of Agreement requiring that the Fund exercise firm surveillance over members' exchange rate policies and, from a multilateral perspective, oversee the effective operation of the International Monetary System (IMS). This assessment informs the Fund's policy advice. The assessments are included in all Article IV reports and in the annual External Sector Report (ESR). ESAs build on various data sources, incorporate insights from tools and metrics, but also require staff judgment informed by country specific knowledge. This box summarizes the elements that make up the ESA. Details on the ESA methodology can be found in Annex IV.

ESAs combine analytical tools, judgment, and country insights to provide an overall assessment of the member's external position. As outlined in the Staff Guidance Note for Surveillance under Article IV Consultations, the ESAs should cover external sector developments with assessments in five main areas: current accounts; real exchange rates; capital flows and policy measures; foreign exchange intervention and reserve levels; and external balance sheets. Assessments should be tailored to country circumstances and focus on the most important issues, with the depth of coverage reflecting the degree of concern. Staff advice on the overall policy mix should fully reflect the ESA results.

A variety of standard tools are used by staff to analyze various aspects of the ESA. Teams may go beyond standard tools when appropriate, but a core set of standard tools and associated guidance inform most ESAs. Assessments of current accounts and real exchange rates are underpinned by the External Balance Assessment (EBA) and EBA-lite methodologies.¹ Capital account policy advice is governed by the Fund's Institutional View on Capital Flows.² The Integrated Policy Framework³ provides a lens by which to evaluate the policy response to external shocks (e.g., foreign exchange intervention), while the various Fund reserve adequacy metrics provide gauges to evaluate international reserves.⁴ Finally, the External Sustainability Approach can help evaluate external stock positions.

Staff judgement plays a key role in assessing the external sector. This includes the selection of indicators, navigating data limitations, adjusting standard assessment methods, and interpreting results to inform the overall assessment. As emphasized in the GN, staff should be explicit about key assumptions and

Box 2. External Sector Assessments (ESAs)—Analysis and Integrity Issues (concluded)

acknowledge uncertainties. Multilateral consistency (that the global sum of staff-adjusted CA gaps is zero) is preserved through technical adjustments as part of the ESR process avoiding an overall bias in any direction for the ESR countries. The consistent application of COVID adjustors across the full membership help ensure multilateral consistency.

ESAs clearly state a qualitative overall assessment of the external position. The qualitative overall assessment can be a pressure point in the review process and in Board discussions, given sensitivities to the overall assessment. The reliance on consistent language to describe the overall assessment, which is in turn determined from clearly defined thresholds based on quantitative results (described below), tightly circumscribes the room for judgement.

In arriving at the overall external sector assessment, teams have discretion about which methodology anchors the overall assessment. The EBA and EBA-lite methodologies contain three and two econometric based approaches, respectively, as well as other complementary tools to guide the assessment. The CA model is most frequently used. Regardless of which model anchors the assessment, the ESA should elaborate on the choice of model. Further, it is expected that there is continuity in the choice of anchor model from year to year for a given country, unless circumstances change. The models often yield different results, for example, due to different models emphasizing different explanatory factors, or lags between exchange rate movements and changes in the current account. Therefore, staff judgement is needed to interpret the results. Further, as the models cannot fully capture all country specifics, an additional quantitative adjustment is sometimes made to arrive at the staff assessed CA and REER gaps. Their use help avoid distorted assessments and any adjustors are expected to be transparently presented in the staff report along with a clear justification. The use of such adjustors, which can contribute to a change in the overall assessment, can be a pressure point during the review process and in Board discussions.

Based on the staff-assessed CA and REER gaps, there are well-defined thresholds to translate staff's quantitative model-based assessments into the overall qualitative assessment. Deviating from this framework, while rare, is appropriate at times, depending on country specific circumstances (for example, an unusually low level of reserves or other unusual yet hard-to-quantify circumstances). When and whether to exercise this discretion can create an additional pressure point during the internal review process which aims to ensure that any deviation is well justified and transparently presented in the ESA.

Overall, external sector assessments are based on tools that analyze data using a transparent set of methodologies, but nevertheless have potential pressure points that could affect analytical integrity. There remains scope for a team's judgment to account for country-specific circumstances or factors not captured by the models, as well as in determining which models are most relevant for the assessment. The transparent and evenhanded application of judgement is supported by guidance, regular training, and the internal review process.

1/ See [The External Balance Assessment Methodology: 2018 Update](#) (2019) and See [The Revised EBA-Lite Methodology](#) (2019).

2/ See [Guidance Note for the Liberalization and Management of Capital Flows](#) (2013) and [Managing Capital Outflows - Further Operational Considerations](#) (2015). There is currently an ongoing review of the Institutional View on the Liberalization and Management of Capital Flows.

3/ See [Toward an Integrated Policy Framework](#) (2020).

4/ See [Guidance Note to Staff on Assessing Reserve Adequacy and Related Issues](#) (2016).

Box 3. Debt Sustainability Analysis (DSAs)—Analysis and Integrity Issues

The development of Debt Sustainability frameworks (DSFs) is a long-evolving process that continues to be adapted to help ensure the Fund can provide the best advice to the many challenges facing LICs and MACs. These challenges remain centered on data gathering and coverage; the underlying econometric methodologies and other analytical tools used to ensure comparability of treatment and minimize biases in staff's assumptions; and on the scope for staff's use of judgement in drawing conclusions on sovereigns' capacity to borrow sustainably.

Debt Sustainability frameworks (DSFs) are critical elements of the analytical framework underpinning the Fund's surveillance and lending operations. The LIC DSF informs macroeconomic analysis of debt vulnerabilities and policy advice provided to low-income members. The Sovereign Risk and Debt Sustainability Framework (SRDSF) is the IMF's core toolkit for analysis of sovereign stress and debt sustainability in market access countries: it acts as an early warning system assessing vulnerability to potential sovereign stress, and it can also produce a debt sustainability assessment (a requirement for all IMF-supported programs).

The DSFs rely on official data for public and publicly guaranteed (PPG) debt that aims to be as broad as possible to assess debt risks. The DSFs preserve the use of historical official data provided by authorities (and in some cases where relevant also by official creditors) and rely on teams' projections for key fiscal and macroeconomic variables based on authorities' plans and consultations. Data inputs and requirements are well standardized and documented. Fund staff closely scrutinize the quality of data in the context of their engagement with country authorities.

The DSFs are underpinned by econometric techniques and tools to assess stress, capacity to borrow, and risks to sustainability. The LIC-DSF uses a methodology to assess a country's risk of debt distress by analyzing debt burden indicator ratios in relation to thresholds estimated with Probit models and reflecting the country's debt carrying capacity. The SRDSF relies on a Logit model to estimate near-term risks, a debt fan chart module, and a gross financing needs (GFN) module to assess liquidity risks over the medium-term horizon (Annex II). Both DSFs rely on automated stress tests as well as fully customized tests that are optional and specific to relevant country circumstances. The econometric estimates have been extensively back tested for accuracy and predictive power.

The DSFs also employ a series of analytical tools to independently assess the realism of staff's assumptions and minimize the risk of biases. The tools (four in the LIC-DSF and nine in the SRDSF) help inform and scrutinize key elements of macroeconomic and debt projections, including the assumed fiscal adjustment, the role of public investment in driving future growth (in LIC-DSF), as well as implicitly assumed fiscal multipliers and potential growth rates (SRDSF).

In determining a final rating, staff's judgement complements the DSF's mechanical risk ratings.

Several country-specific factors may not be fully adequately assessed by the DSFs and require some judgment, including to ensure comparability of treatment. For example, in the LIC-DSF, the size and length of breaches of thresholds and the availability of liquidity buffers may require additional judgement to complement mechanical risk ratings.

The integrity of the methodologies, analyses and assessments is supported by a comprehensive review process. Their respective methodologies have been approved by the IMF Board following extensive discussion and have been published. Likewise, the DSFs for individual countries are extensively reviewed discussed with departments at the Fund, with the World Bank in the case of the LIC-DSF (as they are a joint product) and are approved by Fund Management (as well as by World Bank Management for LIC-DSF). The Guidance Note on the Bank-Fund LIC-DSF lays out the review and dispute resolution mechanism between the two institutions.

Box 3. Debt Sustainability Analysis (DSAs)—Analysis and Integrity Issues (concluded)

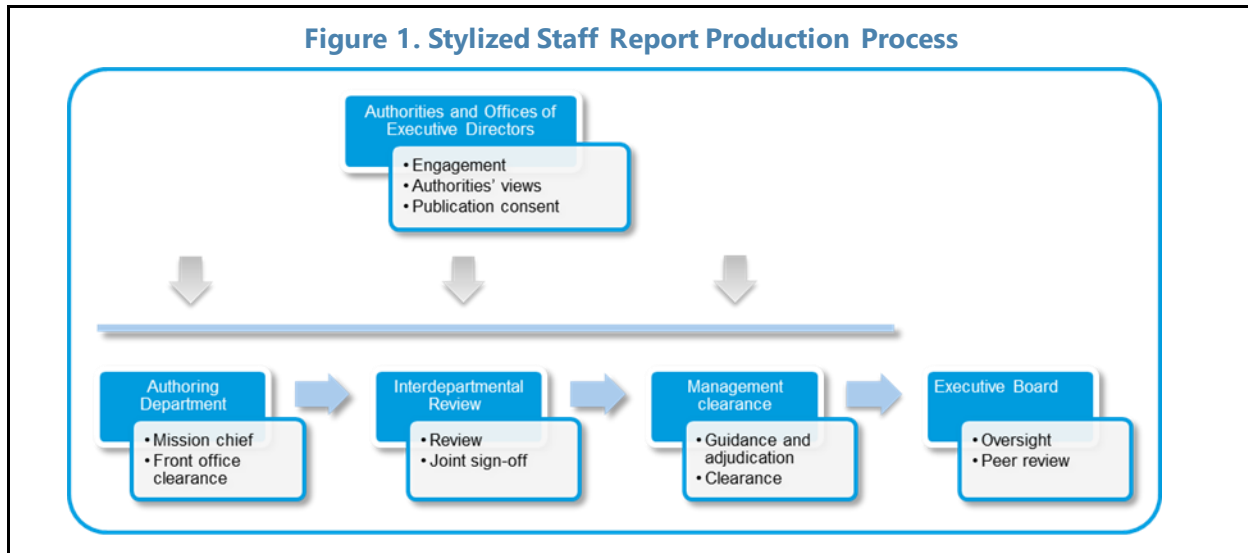
Notwithstanding the rigorous methodologies and approaches underpinning the DSFs, the assessments will continue to face inherent tensions and risks. The DSAs are an instrumental element supporting the Fund’s surveillance and lending decisions. As such, the extensive engagement of country authorities, Fund shareholders, and Executive Board—while vital to ensuring a robust product—could be a source of undue influence at various points in the process of applying or verifying staff’s judgment. The DSFs depend on official macroeconomic data, which tends to be revised periodically (such as for national accounts) and which could influence the country-specific assessments. Some of the variables used in the DSFs are created specifically for the frameworks and therefore data mistakes may not be captured by the DSF’s consistency checks. In addition, capacity constraints in government agencies, limited debt data coverage, disagreements over the public debt perimeter, along with some difficulties in identifying public debt on a residency basis, may be important factors constraining data collection and final assessment ratings. Finally, the DSFs will need to continue to adapt to the implications from large global shocks (such as the pandemic) on parameter instability, the calibration of stress tests, and on the realism tools.

SUPPORTING THE INTEGRITY OF STAFF ANALYSIS: REVIEW AND CLEARANCE PROCESS

35. The current processes for drafting and clearing staff reports/Board papers have evolved over time. While there are some differences in the document workflow and review process across surveillance, lending, policy development and capacity development operations, documents are generally produced by a team in the authoring department(s) (e.g., a country team), cleared by the front office of the authoring department(s) and a Senior Reviewer in Strategy, Policy and Review (SPR) (for country papers), and approved by Management. Management approval is a prerequisite for the paper to be circulated to the IMF Executive Board for consideration or information. In addition, all staff reports sent to the Executive Board should have “a clear indication of approval” by the department head(s) responsible.¹⁷

36. This section outlines a stylized version of these processes (Figure 1). In what follows, the process for preparing a “report” or “document” is based primarily on practices for country papers (i.e., Article IV consultations or requests/reviews for the use of Fund Resources) but can be generalized to capture a broad range of documentation produced by the Fund for Management’s clearance based on staff analysis. This includes policy papers, FSSAs, policy notes, briefing memoranda, and the flagship reports. Where practices differ in important respects, additional details are provided without seeking to provide a detailed compendium of processes across all types of documents.

¹⁷ Memorandum of Leo Van Houtven to the Managing Director on “Initiation, Preparation, and Clearance of Papers for the Executive Board,” April 6, 1978.



37. These processes form part of the first line of defense under the Fund’s “Three Lines Model” of risk management:

- “Embedded risk management practices” are the cornerstone of the Fund’s risk management practices and are implemented by departments under the supervision of Management. For core Fund operations such as surveillance and lending, the interdepartmental review process is designed to provide a robust peer review process by bringing to bear departmental expertise and perspectives to development of policy and program proposals. The multiplicity of vehicles for surveillance and the multi-tiered review process, each of which involves both area and functional departments, is designed to promote active debate and the challenging of views. Many departments also have their own internal review procedures related to surveillance and lending activities.
- As the second line risk function, the Office of Risk Management (ORM) has played a catalytic role in advancing the Fund’s Enterprise Risk Management (ERM) capabilities. It has elevated the quality of the institutional dialogue on risk management matters through semi-annual reports on the Fund’s overall risk profile and supporting risk mitigation efforts.¹⁸
- The Office of Internal Audit (OIA) (along with IEO) constitutes the third line in the Fund context, including through reviews of the interdepartmental review process.¹⁹

38. The Fund’s interdepartmental review process is somewhat unique among International Financial Institutions (IFIs). The WGDAI’s informal discussions with selected IFIs suggests that the

¹⁸ SPR and LEG operate as part of the second line of defense through their oversight of the Fund’s policies and legal framework.

¹⁹ The 2021 OIA audit of the IMF’s Enterprise Risk Management (ERM) framework examined aspects of the interdepartmental review process that serve as a tool for managing operational and policy risks associated with Fund surveillance and lending activities. Given that the last comprehensive examination of the review process had been undertaken in 2010, the audit report saw merit in undertaking another review. The precise scope and timing of the review would be the prerogative of Management, taking into account other institutional priorities.

Fund's review process is relatively more structured than at other institutions, with a strong emphasis on providing and retaining written records. This may reflect in part the Fund's mandate and institutional structure.

A. Node 1: Report Preparation and Clearance by Authoring Department

39. An initial draft of a staff report is prepared by the team and cleared by the front office of the authoring department. Under Fund practices, the authoring department has the core responsibility for developing papers that meet Fund standards in terms of the depth and integrity of analysis, and thus quality control is a critical element of this first node.²⁰ The nature and degree of formality of the review and clearance process at departmental level varies across Area Departments (AD) and Functional Departments (FD), including in some cases an internal peer review process. Regardless of the nature of the process and approach to resolving disagreements, the responsibility for the report rests with the front office of the authoring department, and their final sign-off is required before moving to interdepartmental review. In addition to quality control, front office input would be expected to focus on the overall strategy, the appropriateness of the policy recommendations, and consistency with broader institutional objectives.

40. Even at this early stage of the process, the tone and content of a report is shaped by top-down and external considerations. Senior staff in area departments may internalize perceived views in Management and potential opposition from the authorities in shaping initial drafts of the paper. As discussed above, the choice of topics covered in a staff report is bounded by Fund policies while leaving room for staff judgement. Internal and external consultations are integral to informing such judgement and the development of sound analysis and advice. For instance, input from the front office and authorities can shape the choice of topics, policy advice, and tone of the report to account for regional considerations, to strengthen evenhandedness, and to help ensure traction. However, in some cases there can be pressure from OED, Management, and senior managers to cover topics that appear more important for the institution as a whole than at the specific country level, especially in view of competing priorities (e.g., on emerging issues like climate, gender, digitalization)—or to avoid topics that might cause sensitivities with the authorities. Similarly, in the area of capacity development, increasing reliance on development partner financing increases the risk that Fund CD priorities are perceived to be driven by donors. Teams may internalize such considerations and pressures and be inclined to select topics that minimize sensitivities or serve institutional goals. A factor behind this is that the Fund's culture tends not to sufficiently incentivize staff to voice dissenting views within their teams, repeatedly if necessary.

B. Node 2: Interdepartmental Review and Clearance

41. The interdepartmental review process is designed to help ensure that staff papers provide an expert, independent, technical basis for the Board's decision-making process. Its

²⁰ Memo from DMD Krueger (2004): "Area departments should submit for interdepartmental review drafts that meet the Fund's quality standards, and should not expect reviewing departments to provide quality control."

role is to ensure that the full range of the Fund's technical expertise is brought to bear on staff analysis and views, that the robustness of assumptions can be scrutinized and challenged, that comparability of treatment across the membership is achieved, and that staff proposals for Board consideration are consistent with the Fund's legal framework and policies. Thus, reviewing departments should challenge staff papers if they have concerns that authoring departments might be downplaying or avoiding altogether important, but contentious issues. The review process is also intended to ensure that the use of staff judgement is appropriate and transparently communicated. The 2010 audit of the review process conducted by OIA found no major issues. More recently, the Fund's Risk Report have pointed to risks emerging from the increased review volume in view of limited resources (Box 4).

Box 4. Interdepartmental Review Process

The review process has been periodically subjected to formal evaluations to ensure that it remains fit for purpose. Several formal evaluations, including by the Office of Internal Audit (OIA), were conducted during the 1990s. In the 2000s, a taskforce produced a report entitled, "Enhancing the Effectiveness of the Review Process" (2002). In 2004, another taskforce produced a report entitled, "Assessment of the Revised Review Procedures." Based on this work, reforms were introduced including tighter word limits on policy papers; simplified response to Management comments on cleared papers; early consultation procedures; and enhanced accountability. In the context of a Fund-wide downsizing and refocusing exercise in 2007, a working group was tasked with exploring opportunities for simplifying the review process. This working group issued its report, "Simplifying the Review Process," in December 2007.

The current review guidelines came into effect in late 2009, while aspects particularly related to Management clearance have been modified subsequently. These guidelines responded to the 2007 working group recommendations referenced above. As part of these revised review procedures, the Strategy, Policy and Review Department (SPR) undertook to monitor implementation on an ongoing basis to ensure quality control and to revisit the operation of the review process in light of experience.

In 2010, OIA conducted an audit of the interdepartmental review process. It found that processes introduced in 2008 had resulted in a sharper prioritization of issues as well as countries. OIA noted that on balance, the evidence suggests that the quality of the information and analysis about key decisions and risk management and the Board receive had not been adversely affected. Those interviewed generally thought that review of large and systemically important countries (especially the G-20) was at least as intensive as before. Neither the interviews nor the country cases suggested concrete examples of a major issue that had 'slipped through the cracks' as a result of the new country review procedures introduced in 2009.

Four recommendations were made in this OIA audit of 2010. Three recommendations were directed toward FAD/MCM to redress deficiencies to make their participation in the review process more effective and impactful. The fourth OIA recommendation encouraged SPR to ensure "best practice" was applied in flagging issues to management. All four recommendations have been closed by OIA.

Specific aspects of the review process have been covered in Fund-wide Risk Reports, produced by the Office of Risk Management (ORM). Recent risk reports (2019 and 2020) identified apparent rising strains on the review process owing to greater volume and complexity of review work. In noting that these strains posed both policy and process risks, the reports observed a few incidents of review inconsistencies in recent Board documents. The flat real budget and limited flexibility in reallocating resources to meet additional demand were cited as the root causes according to the Risk Reports. More consistent use of eReview, including by for cross-functional documents and all stages of the review process, was seen as improving transparency and monitorability.

42. Staff uses eReview for most, but not all, reviews of staff reports (Box 5). The Fund's main reports (e.g., Article IV consultations, UFR, flagship chapters, and policy papers) are initially circulated in draft form via eReview, where comments are compiled by department. The final version of these reports, incorporating review comments and input from discussions with authorities (where relevant) are likewise reviewed using eReview. However, for other types of decision-making documents (e.g., staff visit briefs, FSSAs, most memos to Management), the review process takes place via email. Work is underway to build a system that builds on eReview's strengths while introducing new functionalities.

43. The relevant review departments vary based on the nature of the report being discussed. For surveillance and lending country reports, review is primarily assigned to a specific group of FDs (i.e., SPR, FAD, FIN, MCM, LEG), although other FDs may engage in selective review of issues under their purview. For FSSAs (authored by MCM), the relevant AD reviews and co-signs the paper. For country CD reports, the relevant AD reviews the paper, but clearance rests with the CD providing department. Policy papers and flagship chapters tend to be reviewed by a wider set of departments, including both ADs and FDs. Finite resources and streamlined review policies mean that not every department reviews every item assigned to them, while in some cases certain departments are simply copied for information. A small set of documents is not reviewed by departments other than the authoring department and are sent directly to Management or the Board (most Selected Issues Papers and Back-to-Office Reports²¹).

44. Reviewing departments draw on a range of resources to inform their comments. Reviewers typically ground their comments in sound macroeconomics as well as the Fund's legal and policy requirements. Reviewers may also draw on comparable country cases to help ensure consistency and evenhandedness in Fund advice and the application of policies. Some departments may leverage review tools to inform their comments. For example, SPR can draw upon confidential internal assessments of macroeconomic vulnerabilities and governance, among others, to inform their review comments. To check the realism of projections, an examination of how and where staff forecasts of key variables, such as growth and inflation, differ from the historical experience, is also undertaken at this stage, including by considering external information. Other review departments have similar tools. The review process often needs to cover not only on forecasts of core indicators (such as growth and inflation), but also the path of analytical constructs such as output gaps or structural fiscal balances, or embedded analytical assumptions such as fiscal multipliers. Although the Fund's analytical tools are based on models and guidance that are continuously refined and updated (see Section III), different departments still bring different perspectives and priorities to the table during the interdepartmental review process.

45. In addition, for policy notes that precede the preparation of country surveillance and program documents, a Policy Consultation Meeting (PCM) between authoring and reviewing departments is typically organized. The purpose of the PCM, which is chaired by the mission chief

²¹ To ensure candor and timeliness, Back-to-Office reports are signed by mission chiefs and sent directly to Management (or the Head of Department in case of CD missions).

of the authoring department, is to address the main comments raised during the review process and seek consensus among departments on the realism of the macroeconomic framework as well as policy recommendations (and/or program design and conditionality) that will guide the team's forthcoming discussions/negotiations with authorities. Following the internal review process, policy notes are cleared by Management (node 4) and provide the basis for the elaboration of a staff report after a mission, which is then again reviewed by departments.

46. Practices regarding the documentation of the review process vary across document types and departments. As discussed above, not all decision-making documents use the common review platform. SPR is tasked with following up on main comments for country reports. For flagship reports, functional departments (RES/MCM/FAD) cross-validate changes. The process for following-up on main comments on policy papers is typically left to authoring departments' discretion. In sum, different practices result in varying levels of clarity for reviewing departments and for Management on how comments have been addressed. With a few exceptions, reviewing departments also do not have access to the primary data underpinning the analysis in the report, which limits their capacity to identify potential errors. These factors make it harder to identify and follow-up on issues raised during the review of some Fund decisions. Even with access to more data, reviewing departments can face tight turnaround times amid high work pressure, which can be a source of risks, especially for complex cases.

47. If consensus is not reached during the interdepartmental review process, the outstanding areas for concern are flagged in the cover memo to Management that accompanies the report. The authoring departments draft the memo and notes the areas of disagreement (typically identifying which department(s) they originated from), proposals to address the disagreement, and whether such proposals were sufficient to alleviate the original concerns that were raised. In country papers, SPR's clearance of the revised paper is required. SPR is also given a chance to comment on the cover memo, including the summary of issues discussed during the PCM as well as explanations of how other reviewing departments' views have been addressed in the revised paper.²²

48. The SPR front office reviewer has specific responsibilities with respect to clearing country staff reports. SPR co-signs all country reports with Area Departments. Some documents (e.g., WEO, GFSR, and FM) are signed off by authoring departments alone. SPR has a fiduciary responsibility to ensure the appropriate and consistent application of Fund policies. The SPR senior reviewer's signature on the masthead of a staff report is intended to provide a clear indication, including to the Board, that SPR sometimes reflecting input from other departments in their areas of expertise, (i) has reviewed and assessed the report, and (ii) finds the report satisfactory in terms of its contents: views, analysis, conclusions and proposals, including assessments of consistency with Fund policies and comparability of treatment. Staff reports can go to Management noting that SPR has reservations regarding specific aspects of the report. If Management rejects these reservations and

²² SPR thus serves to some extent as the guardian of the review process, also by ensuring that authoring departments respect deadlines and word limits, and (where needed) that the appropriate departments have been consulted.

SPR continues to hold on to them, however, then masthead signature of the staff report by SPR without any further explanation to the Board is not legally permitted *unless* the staff report explicitly notes the reservations of SPR.

Box 5. eReview

eReview is a web-based application on the Fund’s intranet to facilitate and streamline the process for reviewing Country and Policy/Admin papers at the Fund. Introduced in 2009, eReview captures important milestones of a Country or Policy/Admin document life cycle before its issuance to the Executive Board, from the first draft sent for review to the final version sent to Management. It provides easy communications, clearly organized workflows, and broadly efficient sharing and retrieval of Country and Policy/Admin papers and associated review comments. Key features of eReview:

- **One eReview site per country.** Each country site contains a discussion space that is shared between the area and review departments where most country papers are posted and review comments collected. Each review department also has a private section of the page to facilitate discussions within a reviewing department (e.g., collection of comments across divisions within a department).
- **Reviews of policy and admin papers.** Using the same interface as for country papers, the review of policy and admin papers is organized around the Fund’s thematic framework.
- **Open access.** The sites are available to staff to facilitate information sharing across the Fund. For example, staff working on a new program policy note will be able to find and reference recent notes and comments for similar countries. However, access to confidential and strictly confidential documents is limited and controlled through individual access rights to the underlying documents.

Despite its wide acceptance and strengths, a number of drawbacks are apparent. Users have generally appreciated eReview’s stability and reliability. However, a number of country (e.g., briefs for staff visits, FSAP reviews, most CD documents), and admin paper reviews take place outside eReview. Some key documents are also not captured by the tool—like Back-To-Office (BTO) reports and other Memos to Management. In addition, eReview does not capture all aspects of the review processes (e.g., discussions within country teams, among reviewers and peers, and how comments were addressed—which is mostly done on email at present), which requires correspondence outside the system (email), identification of reviewers, and input/export of comments (email), and clearances (email). Although eReview allows to send emails related to each task, such feature had very limited adoption. Search and collaboration capabilities are also limited. Management of review assignments is manual.

Work is underway to develop a new system to build on eReview’s strengths. Technical support for the eReview software platform will soon expire. The new system to be implemented in the context of the Integrated Digital Workplace (IDW), should introduce new functionalities, leveraging the updated platform and maintaining the positive attributes of the old system. It is expected that the historical database, particularly of review comments should be maintained and migrated to the new review solution.

C. Node 3: Management Clearance

49. Management engagement on a staff report is sought via memorandum. The memo to Management identifies the nature of the engagement:

- **For information:** no decision or feedback is requested.

- **For guidance/approval:** a decision is requested, or Management guidance is sought on a set of options.

50. Management is expected to adjudicate any issues that were not resolved during the interdepartmental review process, in particular disagreements among staff (usually between departments). Absent codified guidance, precedent suggests that Management is expected to provide general guidance to staff and bring to bear strategic considerations related to the decision at hand, including broader implications for the Fund’s agenda, reputation, and operations. This, in turn, could reflect considerations that arise from the Managing Director’s role as Chairperson of the Executive Board and engagement with other key stakeholders. Management would typically not be expected to weigh in on the technical aspects of staff’s analysis—although there could be cases where Management has its own expertise on a particular topic. Management retains the prerogative to overrule staff recommendations, including outstanding objections from SPR on country reports. However, as noted above, if SPR’s objections persist, then signature by SPR of the staff report circulated to the Executive Board is not legally permitted unless SPR’s reservations are included in the report. The alternative would be to send the report to the Board without the signature of SPR.

51. While the processes for Management engagement are well established and work well in most cases, there have been exceptions. In isolated cases, Management has been provided with incomplete information, did not consult with all relevant parties when adjudicating on a disagreement, or the rationale for the final decision may be unclear to staff. To address this, a clearly laid-out memorandum that identifies the sources of any disagreements among staff is essential and follow-up discussions should include all relevant parties. This would ensure that Management has full information and would also support transparency.

52. Management’s decisions may need to balance a range of strategic considerations. To support this balance, expectations on what, when and how Management should weigh in could be clarified (e.g., regarding macroeconomic projections and the outputs of the kinds of analytical tools discussed in Section III). Ensuring the clear communication of Management decisions, including their rationale, is also important for transparency. When Management engages directly with country authorities or discusses country cases with the relevant Executive Director, mission chiefs and/or senior staff from Area Departments should, as a general rule, participate in the discussions, which is not always the case.

53. Following clearance by Management, staff reports are issued to the Executive Board through the Secretary’s Department and any further modifications are governed by the Transparency Policy (Box 2). Only Management-cleared documents can be issued to the Board. Member country authorities’ consent is not needed for circulation to the Board.

D. Node 4: Board Engagement and Publication

54. Staff’s analysis is sent to the Board for consideration or information. Although this is typically the last step in the process, staff engagement with Board members can also take place ahead of a Board meeting through informal outreach or while on mission.

55. Throughout the process leading up to a Board meeting, Fund policies aim to strike a balance between supporting effective engagement with the Board and country authorities and preserving independent staff analysis. For country reports, the relevant guidance notes emphasize the importance of establishing an open and candid two-way dialogue with country authorities, directly and through their Executive Directors on the Executive Board. This is in part to support traction but also to avoid surprises and to accurately reflect authorities' views. This dialogue should begin early in the process with the selection of areas for discussion in the report and is intensified during the mission as staff engages in policy discussions and collects the authorities' views. In the case of Article IVs, this process is the essence of the discussions around the consultation, as prepared by staff. At the same time, to safeguard the independence of staff views, staff reports must not be negotiated with country authorities (see Box 6) and the drafts of such reports (or portions thereof) are not to be shared with authorities, with some well-defined exceptions.²³ For policy papers, staff may reach out to Board members for informal consultations ahead of any formal discussions at the Board level. The use of "Authorities' Views" sections in Article IV reports and BUFF statements by country authorities allow further opportunities to clearly separate staff's views from those of member country authorities.

56. Executive Directors frequently play a dual role. They are officials of the Fund and, as such, are responsible for conducting the business of the Fund as members of the Executive Board, and they have a fiduciary duty to act in the interest of the Fund and in accordance with the provisions of the Articles of Agreement and all applicable Fund policies. At the same time, Executive Directors may (but are not required to) act as representatives of one or more of the countries that elect them and to communicate the views of those members, including to the Executive Board, Management, staff or other officials of the Fund.²⁴ Accordingly, when engaging with staff, Executive Directors and their offices need to be mindful of their role as officials of the Fund and their related duty to act in the interest of the Fund, when they convey the views of the members they represent.

57. While staff's dialogue with OED is mostly able to find this balance, there may nevertheless be scope for OED to attempt to exercise undue influence on staff's analysis. The pressures may be subtle, with staff feeling incentivized to avoid rocking the boat in interactions with the Board, especially chairs representing major shareholders or influential constituencies.²⁵ This can occur directly, by placing pressure on staff regarding the results of staff's analysis. Aspects of Fund

²³ Exceptions are drafts of mission concluding statements, selected issues papers, ROSC modules, EPA and EPE reports, FSAP aide-memoires and FTNs, OFC assessments aide-memoires, detailed assessments, and TA reports, see e.g., [2015 Guidance Note for Surveillance under Article IV Consultations](#), Box 9.

²⁴ This role of Executive Directors is reflected in the Articles of Agreement. For example, when participating in the decision-making process of the Fund, an Executive Director does not cast votes on behalf of his/her constituents but rather as an officer of the Fund. Thus, Executive Directors elected by a group of members cannot split their votes to reflect the respective views of those members, and Executive Directors' votes are valid even if they are cast against specific instructions received from the country(ies) that have elected them. See also IEO (2008) *The Formal Governance Structure of the International Monetary Fund*.

²⁵ The issue of implicit pressures also emerged in the IEO evaluation of *The Role of the IMF as Trusted Advisor* (2013). The IEO highlighted that IMF staff and Management were often seen as afraid to "speak truth to power," in dealing with large, systemic countries, despite the impact on these countries on the stability of the international monetary system.

DATA AND ANALYSIS INTEGRITY AT THE FUND: STOCKTAKING AND RECOMMENDATIONS

analysis that apply judgement (e.g., the ESAs and DSAs discussed in Section III) can become a focal point for such pressure. Pressure can also occur indirectly, for instance by having OED participation in meetings with non-government stakeholders limit the candor of such discussions, impairing a vital element of the Fund's role (see para 25). The Fund's culture, which favors consensus building, tends to limit staff's capacity to resist such pressures, especially when they are subtle. Although such instances are rare, there is a need to strengthen the mechanisms for staff to raise concerns about potential undue pressure on analytical integrity from OED (the WGIGSV and external expert panel have also explored these and related issues).

58. Once a document has been circulated to the Board, the Transparency Policy helps protect the integrity of Fund analysis by circumscribing the changes that can be made. For country papers, corrections and deletions are strictly limited to certain categories of errors (see Box 6). In the case of policy staff reports, in addition to the rules that apply to country papers, staff may revise a policy paper where the staff has modified its views in light of a Board discussion or following significant new developments but not after the relevant Board decision. Even then, the staff report cannot be modified to take into account the Board's views unless the staff and Management share those views. In case of disagreement, the Board's views are reflected in the summing up and highlighted in the final document. Different modification rules apply to the WEO, GFSR, and FM: staff may modify the documents prior to publication in order to, inter alia, take into account views expressed at the relevant Executive Board meeting.

59. The publication regime for all country documents covered by the Transparency Policy Decision is "voluntary but presumed."²⁶ "Voluntary" means that the publication of country documents is subject to the concerned member's consent. "Presumed" means that the Fund encourages each member to consent to the publication of such documents by the Fund. It is also presumed that policy papers, with few exceptions, will be published following Executive Board approval. For country documents, the relevant Executive Director will prepare a statement on the key issues (known as the "Buff") that can be included in the bundle with the published staff report.

Box 6. The Fund's Transparency Policy—as Applied to Country Documents

A paramount principle of the Fund, aimed at safeguarding the independence of staff views, is that staff reports must not be negotiated with country authorities. The IMF's Transparency Policy, which covers the publication of country documents prepared for Board consideration or information, is an important part of how the Fund upholds this principle.

The Transparency Policy indicates that, once a document has been issued to the Board, all modifications except those certified by the head(s) of the authoring department(s) as bona fide administrative errors (which are rare) are guided by the rules under Transparency Policy.¹ For country documents, these modifications are limited to:

²⁶ The Transparency Policy does not cover all documents. For example, CD information is covered under the [Staff Operational Guidelines on Dissemination of Technical Assistance Information](#), which will be updated soon based on the recently published [Updated Framework on the Dissemination of Capacity Development Information](#).

Box 6. The Fund's Transparency Policy—as Applied to Country Documents (concluded)

- **Corrections** to the original, and thus also to the document to be published, due to typographical errors, factual errors, mischaracterization of authorities' views, or evident ambiguity. Corrections after the Board date are further limited to cases where the correction is brought to the attention of the Board before the conclusion of the Board's consideration of the document, or where the failure to make the correction would undermine the overall value of the publication.
- **Deletions** to the document to be published, but not affecting the original. Deletions should be limited to information that is not already in the public domain that constitutes either highly market-sensitive material or premature disclosure of policy intentions.

In case of disagreement between staff and the country authorities over proposed deletions, members are entitled to have their requests considered by Management and even the Board.

1/ See "Updated Guidance Note on the Fund's Transparency Policy," IMF, 2014, for more details.

SUMMARY AND RECOMMENDATIONS

60. Strong frameworks and processes are in place to support data and analysis integrity at the Fund. In surveillance and lending, staff, relying on a variety of data sources, applies quantitative tools, frameworks, and informed judgement to arrive at policy recommendations. The processes and practices supporting staff's analysis are governed by frameworks and policies that have evolved over time and are periodically reviewed. Their application is carefully examined in the interdepartmental review process, during which other departments systematically review and comment on reports.

61. Improvements in a few areas can further strengthen analytical integrity. The Working Group, reflecting on the information summarized in this paper and drawing on discussions with several focus groups of staff spanning grade levels as well as through bilateral dialogues with informed parties, considers that existing processes can be improved. More can be done to clarify the role of Management and the terms of engagement by members of the Offices of Executive Directors (OED) with staff on issues related to staff's conduct of analyses. These clarifications, paired with measures to strengthen staff's voice in instances where staff feels analysis integrity may have come under undue pressure, can help uncover and rectify such cases, and can help prevent their occurrence in the first place, and reinforce the independence of staff analysis. With new areas gaining importance in the Fund's work, an evenhanded coverage based on objective and clearly communicated criteria will help protect staff's analysis from perceived undue pressure. Finally, while the internal review system is very strong (as highlighted by OIA audit of the Review Process for Country papers in FY2011), its transparency and documentation can be improved, and it would be helpful assess in due course how it adapts to the upcoming new Integrated Digital Workplace (IDW). Some of the recommendations in this paper will require further consideration and discussion to be refined into actionable proposals, drawing on all the work carried out under the Institutional Safeguards review.

Recommendations

62. Clarify the terms of engagement of OEDs with staff in staff’s conduct of analysis.

Recognizing that the OED engage with staff at various stages of the formulation of staff analysis leading to the preparation and finalization of a staff report and that Executive Directors frequently play a dual role of being officers of the institution and often also representing the views of country authorities, the formalization in writing of good practices can help level the playing field across members, set expectations and strengthen analysis integrity. Specifically, practices should cover engagement with the mission chief, Senior Country Reviewer and Department Director, as well as Fund Management. It should also cover the role of OED in ensuring candid discussions between missions and non-government stakeholders, the sharing of material for fact-checking purposes and for confirming authorities’ views. The Code of Conduct for Members of the Executive Board should outline an effective mechanism for staff to raise concerns about potential undue pressure on analytical integrity from OED/country authorities. Finally, given the relatively short tenure of OED staff for many constituencies, a more regular, well-structured, and much expanded on-boarding program where newcomers are apprised of Executive Directors’ roles and responsibilities, Fund policies as well as procedures would be useful.²⁷

Proposal(s)	(i) Engage with the Board to clarify and formalize the terms of engagement with staff (ii) Strengthen the effectiveness of mechanisms for staff to raise concerns about undue influence (in coordination with WGIGSV). Input from OMD, LEG, SEC, and ADs/SPR.
Impact on Analytical Integrity	High
Estimated Cost	Medium

63. Clarify the role of Management in the clearance of staff papers and positions.

Recognizing the Managing Director’s dual role as head of staff and Chairperson of the Executive Board, and preserving Management’s prerogative to provide guidance to staff broadly and exercise judgement on strategic issues, codifying and documenting best practices and enhancing transparency around Management decisions can strengthen analytical integrity. Specifically, there is a need to clarify the broad principles on when and how Management would weigh in on policy messages (e.g., at policy note or staff report stage), the process of explaining and recording decisions, and formalize the practice of including mission chiefs in discussions of country matters with OED/country authorities. To ensure Management has sufficient information to make well-grounded decisions, guidelines for drafting cover memos could be established (building on good practices that have emerged in recent years) encompassing purpose, content, and format. The guidelines should establish procedures for resolution of disagreements among staff and outline how to elaborate on issues in cover memos when a Management decision or guidance is requested. When important decisions are reached during meetings with Management, prepare and circulate for

²⁷ This recommendation would have resource implications, particularly for SEC.

information to all attendees a short write-up of the discussion that spells out clearly the rationale for the decision.

Proposal(s)	Codify and document best practices and enhance transparency around clearance of policy notes and staff reports. Input from OMD, LEG, ADs, and SPR.
Impact on Analytical Integrity	High
Estimated Cost	Low

64. Complete ongoing work to help ensure evenhanded coverage of emerging areas in surveillance. The Fund is gradually building expertise in new areas—such as climate change, gender, and digital money—in the context of increased, but nonetheless limited resources. A number of factors could influence the pace of rollout, including data availability, and there may be some learning by doing. Efforts to formulate and communicate principles for an evenhanded rollout of Fund coverage of emerging areas, based on the principle of macrocriticality, should be strengthened and will help introduce objective criteria, minimize the perception of idiosyncratic topic selection, and manage expectations from members and the broader public. Principles could be based on the concept of risk-adjusted and input-based evenhandedness (2014 TSR), and follow the experience gained with integrating governance issues.

Proposal(s)	Draft guidelines for coverage of emerging areas. Led by SPR with respective groups and reflected in the guidance notes.
Impact on Analytical Integrity	Medium
Estimated Cost	Medium

65. Further strengthen the transparency and documentation of the internal review process, and assess how it has adapted to the Integrated Digital Workplace (IDW). Ensure that *all* documents that go through interdepartmental reviews use the eReview system, including operational decisions that are currently not subject to the formal review process. Building on good practices adopted by area departments (and some others), all authoring departments should be responsible for providing *all* reviewing departments and Management with a table detailing how main comments were addressed. For the analytical content of Fund documents, the sharing of data and codes with select reviewing departments should be encouraged. In the context of the implementation of Integrated Digital Workplace (IDW), ensure that the replacement for the existing eReview system is equipped to capture important side discussions currently conducted via email as well as decisions reached in the context of meetings with Management, but it would be important to ensure that new processes do not inhibit candid discussions or generate undue burdens. Following implementation of IDW, it would be helpful for the Office of Internal Audit (OIA) to assess how the internal review process has adapted to the new platform. To lay the groundwork for such an audit, the OIA should conduct a benchmarking exercise with other institutions over the course FY23. The exact scope of the subsequent OIA audit could be finalized at a later stage.

DATA AND ANALYSIS INTEGRITY AT THE FUND: STOCKTAKING AND RECOMMENDATIONS

Proposal(s)	(i) Guidelines to be drafted by SPR, in consultation with other departments, for endorsement by OMD. (ii) Audit (by OIA) on how the internal review process has adapted to the implementation of the Integrated Digital Workplace (IDW).
Impact on Analytical Integrity	Low
Estimated Cost	Medium

Table 2. Policy Review Schedule

Title	Department	Last	Next
Global Cooperation and Standard Setting			
Bank-Fund Collaboration	SPR	Mar 2010	FY25
Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Program	LEG	Nov 2018	FY24
Standards and Codes Initiative	Various	Jul 2017	
IMF's Data Standards Initiatives	STA	Feb 2022	FY27
Fund policies			
Surveillance Policies			
Comprehensive Surveillance Review	SPR	May 2021	FY27 (May 2026)
Financial Sector Assessment Program	MCM	May 2021	FY27 (May 2026)
Steps to Address Excessive Delays in the Completion of Article IV Consultations	SPR	Feb 2012	FY24
Data Provision to the Fund for Surveillance Purposes	LEG/SPR/STA	Aug 2012	FY23
Institutional View on the Liberalization and Management of Capital Flows	LEG/MCM/RES/SPR	Mar 2022	
Transparency Policy	SPR	Jun 2013	FY25
Framework for Fund Engagement on Governance	FAD/LEG/SPR	Apr 2018	FY23
Multiple Currency Practices	LEG/MCM/RES/SPR	Feb 2019	FY23
Lending Policies			
Conditionality and the Design of Fund-Supported Programs	SPR	May 2019	
Policy on Debt Limits in Fund-Supported Programs	SPR	Oct 2020	
Access Limits and Surcharge Policies	FIN/LEG/SPR	Feb 2016	
Flexible Credit Line / Precautionary and Liquidity Line / Short-Term Liquidity Line	FIN/LEG/SPR	Dec 2017	FY23
Lending into Arrears Policy	LEG/SPR	May 2023	
Concessional Financing and Policies	FIN/LEG/SPR	Jul 2021	FY25
Poverty Reduction and Growth Trust—Review of Interest Rate Structure	FIN/SPR	Jul 2021	FY25
Eligibility to Use the Fund's Facilities for Concessional Financing	FIN/LEG/SPR	Feb 2020	FY23
Resilience and Sustainability Trust	FIN/LEG/SPR	Apr 2022	FY25/FY26 ^{1/}
Misreporting Policies	LEG/SPR	Dec 2006	
Capacity Development Policies			
Capacity Development Strategy	ICD	Nov 2018	FY24
Other Fund Policies			
Debt Sustainability Framework for Market Access Countries	SPR	Jan 2021	
Debt Sustainability Framework for Low-Income Countries	SPR	Sep 2017	
Catastrophe Containment and Relief Trust	FIN/LEG/SPR	Feb 2015	FY23
Role of Trade in the Work of the Fund	SPR	Feb 2015	FY23
Fund Finances			
General Review of Quotas	FIN/LEG/SPR	Feb 2020	FY24 (Dec 2023)
New Arrangements to Borrow	FIN/LEG	Jan 2020	FY25 (Dec 2024)
Guidelines for Borrowing by the Fund	FIN/LEG/SPR	Mar 2020	FY24 (Dec 2023)
General Allocation or Cancellation of SDRs	FIN/LEG/SPR	Aug 2021	FY27
Method of Valuation of the SDR	FIN/LEG/SPR	May 2022	FY28
Safeguards Assessments	FIN	Oct 2015	FY23 (Sep 2022)
Fund's Strategy on Overdue Financial Obligations	FIN/LEG/SPR	Jul 2017	FY23
Adequacy of the Fund's Precautionary Balances	FIN	Oct 2020	FY23
Investment Account and Trust Assets Investment Strategy	FIN/LEG	Jan 2022	FY27
Internal Support			
Diversity & Inclusion Report	HRD	Jan 2022	FY24
Communications Strategy	COM	Jul 2014	FY25

1/ The interim review for the RST will occur 18 months after operationalization; it could be in FY25 at earliest. The full review would be three years after operationalization (FY26 at earliest).

Annex I. The Data Quality Assessment Framework

1. The Data Quality Assessment Framework covers six dimensions encompassing characteristics related to the institution or statistical system behind the production of the data as well as characteristics of the individual data product. Each dimension comprises a number of elements, which are in turn associated with a set of desirable practices. The following are the statistical practices that are associated with each dimension:

- **Prerequisites of quality:** the environment is supportive of statistics; resources are commensurate with the needs of statistical programs; and quality is a cornerstone of statistical work.
- **Integrity:** statistical policies and practices are guided by professional principles; statistical policies and practices are transparent; and policies and practices are guided by ethical standards.
- **Methodological soundness:** concepts and definitions used are in accord with internationally accepted statistical frameworks; the scope is in accord with internationally accepted standards, guidelines, or good practices; classification and sectorization systems are in accord with internationally accepted standards, guidelines, or good practices; and flows and stocks are valued and recorded according to internationally accepted standards, guidelines, or good practices.
- **Accuracy and reliability:** source data available provide an adequate basis to compile statistics; statistical techniques employed conform with sound statistical procedures; source data are regularly assessed and validated; intermediate results and statistical outputs are regularly assessed and validated; and revisions, as a gauge of reliability, are tracked and mined for the information they may provide.
- **Serviceability:** statistics cover relevant information on the subject field; timeliness and periodicity follow internationally accepted dissemination standards; statistics are consistent within the dataset, over time, and with other major data sets; and data revisions follow a regular and publicized procedure.
- **Accessibility:** statistics are presented in a clear and understandable manner, forms of dissemination are adequate, and statistics are made available on an impartial basis; up-to-date and pertinent metadata are made available; and prompt and knowledgeable support service is available.

Annex II. The Debt Sustainability Framework for Low-Income Countries

1. The LIC DSF conducts debt sustainability analysis in a standardized manner. Data inputs are used to automatically produce tables and charts required for the analysis. The framework is set up to conduct both external and public DSAs based on 20-year macroeconomic projections and borrowing strategy.¹ Relevant debt-related indicators are calculated under the baseline and stress tests, which are compared with the thresholds to determine a risk rating. Reflecting the last reforms to the LIC DSF, the prediction power of the tool has been improved and additional analytical tools have been added to incentivize teams enhanced engagement with the authorities and discuss the realism baseline projections.² The outcome of the analyses is summarized in a set of output tables and charts. Although judgment continues to be central in the final rating, guidance on the use of judgment has been enhanced in the last reforms.

2. The data inputs required for the DSA analysis include: (i) basic country data (e.g., commodity exporter, frontier market, small state, financing sources/terms, access to international capital markets etc.), (ii) debt coverage, (iii) key macroeconomic/debt data and assumptions (key indicators: real economic growth, inflation (GDP deflator), the primary balance, the current account balance, exports/imports growth, FDI and remittances), (iv) assumptions on financing terms for external and domestic debt (interest rate, grace period, maturity) , (v) standardized and tailored stress tests data. While the basic structure of the LIC DSF and data requirements remain broadly the same, the template has been streamlined to make it more user-friendly.³ Additional analytical tools, including four realism tools, are also linked to standard inputs, and users are usually not required to provide additional information to conduct these tools.

3. The coverage of public and publicly guaranteed (PPG) debt should be as broad as possible to arrive at an assessment of risk of debt distress that is comparable across countries and is expected to be discussed in the DSA write-up. The level of coverage should account for all relevant public sub-sectors including SOEs that pose fiscal risks. To capture potential fiscal risks not already taken into account in the perimeter of the PPG debt, data on contingent liabilities⁴ should be reported. PPG debt should be stated in gross terms although the existence of significant amounts of government liquid assets could be used in the application of judgment for the final rating.

¹ Only first 10 years inform the mechanical risk rating.

² Despite new features and additional analytical tools being introduced, the template of the new framework has been significantly streamlined and become more user-friendly.

³ One of the input sheets is compatible with DMX, where most of relevant macro and debt information can be downloaded and are already linked to other working sheets.

⁴ These may include, the expected costs of bank recapitalization, contingent liabilities associated with SOEs, PPPs, financial market vulnerabilities, disputed claims, or unfunded pension liabilities.

4. The default definition of external debt in the LIC DSF is on a residency basis. Given the external DSA is built on the balance of payments (which is always prepared on a residency basis), the guidance has been that a LIC DSA should be prepared on a residency basis (i.e., domestic debt held by nonresidents should be treated as “external debt” regardless of currency denomination). However, LIC DSA users have often used domestically-issued debt or debt denominated in domestic currency as a proxy for domestic debt, since it has been difficult for LICs to track non-residents’ holdings of domestic debt particularly through the secondary market trading. Also, limited participation by non-residents in domestic debt markets of LICs has blurred the distinction between external debt based on a residency basis and those on a currency basis.⁵

5. Users are expected to assess and report the results of four realism tools that help minimize biases in projections. These tools are intended to help users scrutinize baseline macroeconomic and debt projections and include: (i) drivers of debt dynamics; (ii) fiscal adjustment in primary balance; (iii) fiscal adjustment and possible growth paths; and (iv) public investment and economic growth. They provide a point of comparison for forecasts, whether drawing on the country’s own history, cross-country experience, or on relationships drawn from simple economic theories. They also help inform users of situations where important drivers of the macroeconomic baseline debt projections deviate markedly from experience (either in an optimistic or a pessimistic direction). They are not meant to be prescriptive, but rather to highlight potential inconsistencies in key assumptions underpinning the baseline projections, thereby encouraging users to assess carefully macroeconomic framework and its realism. On this basis, users should consider, in the process, going back and revising macro numbers and financing assumptions when the realism tools flagged some inconsistencies unless the deviations flagged by the realism tools can be explained in the DSA writeup.

6. Debt burden indicators thresholds for PPG external debt and benchmark for total public debt-to-GDP are determined based on a country’s debt carrying capacity. Countries classification in their debt carrying capacity (weak, medium, strong) is based on a composite indicator (CI). The CI helps users understand factors that contribute to a country’s debt carrying capacity. The CI is generated as a weighted sum of country-specific and global factors that capture a country’s capacity to sustain a higher level of debt (World Bank Country Policy and Institutional Assessment (CPIA) score, the country’s real growth, international reserves, remittances, world growth). The CI uses ten-year averages of the variables (five years of history and five years of projections) to ensure a degree of stability in countries’ classification while also smoothing out the impact of economic cycles. The use of history and projection balances previous performance with expected changes in the outlook of a country, ensuring that expected persistent improvements or slippages vis-à-vis past performance are reflected in the country classification.

7. The LIC DSF automatically applies a series of stress tests to gauge the impact of temporary shocks on the baseline debt burden indicators. The battery of stress tests includes standardized stress tests (real GDP growth, exports growth, primary balance, exchange rate, etc.)

⁵ External debt usually meant foreign-currency denominated external debt held by non-residents.

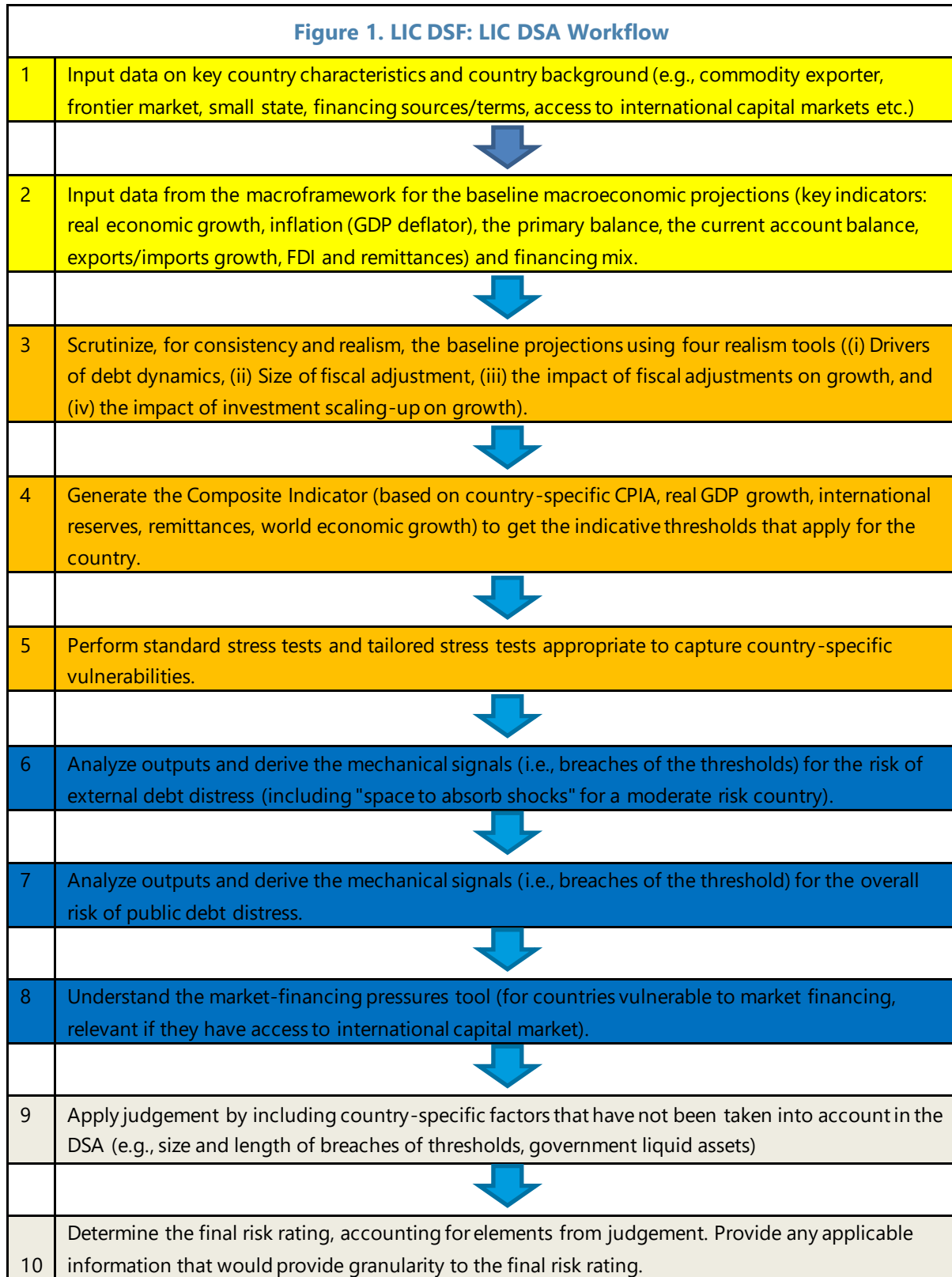
that apply to all countries and tailored stress tests which capture country specific vulnerabilities (volatility of commodity prices, natural disasters, market financing). A contingent liability stress test is also applied to capture potential risks arising from the portions of public sector not captured in the definition of public debt used in the DSA. Fully customized scenarios are optional and can be used to capture idiosyncratic risks where relevant. The size of the shocks for the standard stress tests is generally the smallest between the baseline minus one standard deviation or historical (ten years) average minus one standard deviation.

8. A mechanical risk rating is produced based on debt burden indicator ratios and their corresponding thresholds and benchmark for both external PPG debt and total PPG debt.

Once the input data are properly set, the template produces outputs for relevant PPG external debt burden indicator ratios (PV of external debt/GDP, PV of external debt/exports, debt service/revenue, debt service/exports) and the PV of total public debt/GDP ratio. These debt indicators are assessed against their respective thresholds under the baseline scenario and the most extreme stress test scenario to derive risk signals (low, moderate, high, in distress).

9. The final assessment on the risk of external debt distress and on the overall risk of debt distress combine the mechanical signals from the model on the risk of debt distress with judgment based on knowledge of the country. The external debt distress risk rating remains the primary DSF output, while the overall risk rating is considered supplementary information.

10. For countries assessed at moderate or high risk of debt distress/in debt distress, additional granularity in the rating is provided. For a country assessed at moderate risk of debt distress, the robustness of the debt position of a country at moderate risk of external debt distress is determined by the available “space” the country has to absorb shocks without being downgraded to a high risk of debt distress. Users characterize debt vulnerabilities in a country facing a moderate risk of external debt distress as showing “limited space to absorb shocks”, “some space to absorb shocks” or “substantial space to absorb shocks” based on the extent to which baseline debt burden indicators fall below their respective thresholds. For a country assessed at high risk of debt distress or in debt distress, LIC-DSF users characterize public debt as sustainable or unsustainable. This characterization takes into account factors such as the size and length of breaches of thresholds and the likelihood that a country will be able to meet all its current and future financial obligations.



Annex III. The Sovereign Risk and Debt Sustainability Framework

1. The SRDSF is the IMF's core toolkit for analysis of sovereign stress and debt sustainability in market access countries. In a surveillance context, the framework acts as an early warning system assessing vulnerability to potential sovereign stress in the future. In addition to the sovereign risk assessment, the framework can produce a debt sustainability assessment—required for all IMF programs—that assesses the risk that public debt is unsustainable.
2. The SRDSF was approved by the IMF board in January 2021. It includes three key reforms compared to the previous framework, (i) the time-horizon-based analysis of risks, (ii) accounting for a broader set of country-specific characteristics and their interaction, and (iii) moving towards a stochastic analysis of sovereign risks. In doing so, the new toolkit, improves the framework's discriminatory capacity, enhances transparency in its bottom-line assessments, and is better suited to provide the needed probabilistic assessment of debt sustainability.

The Use of Data

3. Data on public debt and its main macroeconomic drivers, and on public finances are the basic building blocks of the SRDSF. All SRDSAs are performed using historical series and the team's projections of key debt, fiscal, and macroeconomic variables, which constitute a baseline macro-framework. The SRDSA uses these data inputs and assumptions to feed into its core tools, supplementary stress tests and optional long-term modules, leading to a bottom-line mechanical and final assessment with some room for staff judgment.

The SRDSF's core toolkit includes:

- **Logit Model:** The multivariate logistic (logit) regression model is the workhorse tool for the standardized near-term risk analysis. The key output from this model is the fitted probability, which measures the chances of a stress event materializing within 1–2 years. It uses a battery of explanatory variables that account for both intrinsic country-specific characteristics (structural, cyclical position, debt burden and buffers) as well as global conditions.
- **Debt Fanchart Module:** The debt fanchart simulates many debt trajectories using a debt dynamics equation and randomly drawn shocks to the key variables in that equation. These stochastic trajectories imply distributions of debt outcomes for each year of the projection horizon, which can be summarized by key percentiles and presented as a debt fanchart. This tool illustrates the degree of uncertainty around baseline debt projections, the balance of risks around the baseline, and prospects for debt stabilization in the medium-term horizon. Using this module, three metrics are calculated: fanchart width, probability of debt non-stabilization, and terminal debt level adjusted for institutions. These three metrics are then normalized and aggregated, leading to a final fanchart metric.
- **Gross Financing Needs (GFN) Financeability Module:** This module assesses liquidity risks at the medium-term horizon, by analyzing the size of a country's financing needs over the medium

term, financing sources, and risks associated to the debt holder and new financing structures across various creditor groups. A generalized stress scenario that features macro-fiscal and debt holder shocks is modeled to assess the domestic banking system's capacity to act as a residual creditor in adverse conditions. The output includes three metrics (average GFN to GDP in baseline, initial bank exposures to government, and change in bank claims on government in a generalized stress scenario), which are normalized and aggregated to derive a final GFN module metric.

4. The two medium-term tool results are then aggregated again to create the medium-term index, whose scores are compared with pre-determined thresholds (based on extensive research on past predictive performance for stress events) and assigned a mechanical signal.
5. Once the medium-term mechanical signal is derived, the toolkit is completed by triggered stress-tests that simulate debt and GFN paths under major specific medium-term shocks faced by sovereigns. If stress test results show significant deterioration in debt paths compared to the baseline, downgrades to mechanical signals are warranted.
6. Finally, optional long-term modules are also used to provide confidence around debt and GFN levels/trajectories in the six-to-ten-year horizon, and to check for longer term risks (up to 30 years ahead) that may not be apparent in the medium-term analysis. These include risks due to population aging, scaling up/down of natural resource extraction, climate change, and large debt amortizations.
7. The debt sustainability assessment (typically ran for program cases only) uses a modified version of the near-term logit and the two medium term tools. The risk indices from each of the three tools are then averaged and compared with thresholds (back tested on past predictive performance for unsustainable events) to arrive at a relevant sustainability mechanical signal (unsustainable, sustainable but not with high probability, or sustainable with high probability).

The Use of Judgment

8. At the stage where the mechanical signals are generated, country-specific characteristics can in some cases be captured through the consideration of additional variables; triggered stress tests; and incorporation of long-term risks. At the stage where staff risk assessment is generated at each horizon, they are informed by medium-term stress tests and long-term modules after taking the mechanical signal (for near- and medium term) as a starting point. Judgement also comes when generating an overall sovereign risk assessment on the basis of the horizon-specific assessments. The presumption is that the overall risk assessments will remain within the range of staff risk assessments generated for each horizon.

Realism Assessment Tools

9. As the analysis of sovereign stress and sustainability risks is inherently dependent on the baseline macroeconomic projections, the need to assess realism of such projections is critical. Recent research indicating systematic optimism in past projections has highlighted the problem of baseline optimism clearly. The SRDSF includes two checks to ensure realism: design elements of core tools to protect realism and a separate suite of realism tools. The first includes (i) the use of only realized data in the near-term risk logit model to prevent optimism bias from contaminating results, (ii) a realism adjustment in the fanchart module in cases where the baseline converges to the lower edges of a historical fanchart. In addition, the realism tools suite, which includes nine realism tools, scrutinizes key drivers of public debt using a mixture of cross-country and historical performance, and flags various problems of optimism or pessimism.

10. These tools encompass all debt drivers—including exchange rates, financing terms on external borrowing, stock-flow adjustments—and public debt itself. In addition, in light of evidence indicating systematic optimism in past projections and bias in output gap estimates, the new tools to assess the realism of assumed fiscal multipliers and potential growth rates. Finally, to account for differences in forecast error distributions across commodity and non-commodity exporters, as well as surveillance vs. program cases, comparator buckets are defined accordingly. All of this allows for sharper conclusions on the realism of baseline projections.

11. Finally, the framework also includes systematic adjustments to realism checks in situations where global conditions warrant such adjustments. As an example, recovery from the COVID-19 shock in 2021–22 will produce significant public debt reductions when compared with 2020. To avoid these dynamics from triggering excessive and unwarranted realism corrections, the preliminary historical fanchart will be centered around the baseline for the first two years of the forecast horizon for SRDSAs prepared in 2021 and 2022. By making such adjustments systematic rather than ad-hoc, the framework lowers the probability of ad hoc adjustments and protects the integrity of staff assessments.

Annex IV. External Sector Assessment: Analytical Tools

This Annex describes the frameworks and methodologies that underpin External Sector Assessments (ESAs): the current account and Real Effective Exchange Rate (REER) models and reserve adequacy metrics.

Current Account and REER Models (The EBA and EBA-lite Methodologies)

1. The Fund’s framework for ESAs is anchored by the EBA and EBA-lite methodologies.

The EBA methodology, covering 52 advanced and emerging market economies, was launched in 2012 and is updated periodically, with refinements currently underway.¹ The technical details of the [EBA models](#) are published as an IMF working paper. The EBA-lite methodology was developed in 2015 to extend the EBA methodology to the rest of the membership and was updated in 2018.² The EBA methodology contains three empirical models: a current account model and two real effective exchange rate (REER) models (a level REER and an REER index model). There are two empirical models for EBA-lite countries: a current account model and an REER index model. When a member is included in the EBA sample, the team is expected to use the EBA model in the ESA, that is, staff cannot choose between the EBA and EBA-lite model results.

2. The econometric model results for the EBA models are publicly available. The [EBA data and sources](#) are detailed on the IMF’s website and the data and codes used for model estimation are provided for public use. Based on updated input data, following the April and October WEO, the preliminary EBA and EBA-lite results are disseminated internally. Additional revisions to model inputs are made, as needed, to ensure consistency with the macroframework in the staff report and evolving policy advice. SPR maintains a central repository of the EBA-lite templates that generated the results presented in SRs which are collected following members’ Board meetings but lacks visibility of any changes made by the country desks to the template and results in between WEO updates and final assessments.

3. The EBA and EBA-lite methodologies take a normative approach to estimate the current account (and REER) that is consistent with economic fundamentals and desirable policies. As such, the assessments require staff’s estimates of the optimal policy settings for a given country for seven key macroeconomic variables. There are clear guidelines on estimating the policy settings, taking into account staff’s policy advice.³ The policy settings can be updated as policy advice evolves but, as these are not typically included in the policy note or draft staff report, this limits the visibility to reviewers of any changes in the policy settings from year to year. Nevertheless, in some cases the review process can help ensure that the settings are consistent with the macro

¹ See [The External Balance Assessment Methodology: 2018 Update](#) (2019) for the current version.

² See [The Revised EBA-Lite Methodology](#) (2019)

³ The optimal policy settings are collected once a year from area country teams, through a centralized process which helps support consistency and compliance with the guidance. This process is complemented by annual training.

framework and best practice, such as the time frame (medium-term) by which desirable policies should be reached. For ESR countries the optimal policy settings are published in the ESR report.

4. The EBA and EBA-lite empirical models cannot fully capture all country specifics or shocks and therefore staff has discretion to transparently adjust the model results to arrive at the quantitative assessment. Such adjustments are appropriate when there are factors that are not well-captured by the models and without any adjustment the assessment would be distorted. Examples include a temporary disruption of exports or imports, data discrepancies, or the use of adjustors for 2020 and 2021 assessment during the COVID-19 pandemic (where RES and SPR provided guidance on allowable adjustments and specific methods to quantify the adjustors).

5. The use of adjustors can be a pressure point in reviews as well as with the Board, as their use involves judgment and can lead to a change in the overall assessment. During the review process, reviewers are expected to ensure that any adjustors are well-justified, appropriately quantified, and described transparently in the ESA. However, there have been cases where the use of adjustors has not been in line with the guidance, either because they were not transparently presented in draft Staff Reports or were not picked up on during the review process. Staff works to reduce this risk through internal training, including regular seminars for reviewers.

6. Beyond the CA and REER models, there are additional standard models that can anchor the overall assessment. The EBA-lite methodology also includes two models that can be used to provide norms for commodity exporters. One uses a permanent income hypothesis construct to generate a norm based on inter-generational equity. The other produces a norm by optimizing consumption-investment tradeoffs for commodity producers with large investment needs. Several underlying assumptions must be made to generate the results using this model and staff have updated guidance on the assumption and their description in staff reports. The external sustainability approach seeks to determine the current account that would stabilize the net foreign assets over the medium-term at a benchmark level (for EBA countries) or in net present value terms (for EBA-lite countries). It complements other approaches by focusing on sustainability considerations, which are central to external sector assessments in some cases.

Reserve Adequacy Metrics

7. Assessing reserve adequacy is a critical part of the Fund's surveillance mandate. In conjunction with sound policies and fundamentals, reserves are a critical external buffer for most economies, as they can help reduce the likelihood of balance-of-payment crises and help preserve economic and financial stability. As a central part of countries' external resilience, examining reserve adequacy is vital to any external sector assessment and hence a core part of the Fund's surveillance mandate.

8. The Fund's reserve adequacy metric for EMs is an additional tool to help inform a comparable assessment across its membership, while balancing simplicity and completeness. The methodology underlying this metric is published, along with guidance on its use as well as reserve adequacy assessments more generally. The metric is updated regularly and is publicly

[available](#). Staff are expected to report this metric in staff reports for those countries where it is available.

9. As emphasized in the [Guidance Note on ARA](#), in assessing reserve adequacy, staff are expected to pay attention to country-specific vulnerabilities. This follows from the [2012 IEO](#) evaluation of the Fund's advice related to international reserves, which recommended, inter alia, that assessments of international reserves in bilateral surveillance reports should be more detailed and reflect country circumstances. Therefore, the ARA metric can be adjusted to account for country specific characteristics which should be transparently explained in the Staff Report. It is, however, expected that the unadjusted metric also be reported.

Annex V. WGDAI: Terms of Reference and Procedures

This Annex provides the WGDAI Terms of Reference and the work process undertaken by the WGDAI to deliver on them.

A. Terms of Reference

1. The Working Group on Data and Analysis Integrity (WGDAI) group will engage relevant stakeholders to examine roles and responsibilities at key steps of the process in handling data and undertaking and disseminating technical analysis at the Fund. Based on such examination, the group may identify and recommend, as necessary, actions that may need to be taken to ensure that the integrity of data and analysis at the Fund remains of the highest caliber.

Background

2. In the wake of the World Bank's investigation into its Doing Business report, questions have arisen about whether the Fund's existing institutional safeguards to ensure the integrity of data and technical analysis remain fit for purpose. As such, a stock-take of existing safeguards is both timely and important to ensure transparency around processes and further clarify as necessary the roles of Management, Staff and the Board in ensuring the continued integrity of data and technical analysis in key Fund products.

Institutional Frameworks on Data and Analysis

3. IMF data are supplied, in the main part, by national authorities. The Fund has created over the years a range of frameworks, practices, and conventions aimed at ensuring data integrity in the Fund's work. Three pillars support and sustain this effort:

- First, methodological guidance, technical assistance, and training delivered by IMF staff support continuous improvement in the data provided by members to the Fund.
- Second, the Fund diligently monitors that member countries provide essential data in as accurate a form as practicable. Inter alia, there is a requirement for country teams to include in the staff report their assessment of the adequacy of data provided by the authorities for surveillance purposes. When doubts arise about the accuracy of the data, staff are expected to initiate procedures that may ultimately lead to the censure of the member providing data of questionable integrity.
- Third, integrity of data is supported by the Fund's transparency policies. Publication of staff reports allows the global audience to form a view on the analyses and policy recommendations presented in staff reports.

4. The Fund also fosters data transparency across its membership in two other ways:

DATA AND ANALYSIS INTEGRITY AT THE FUND: STOCKTAKING AND RECOMMENDATIONS

- Encouraging observance of data integrity in the compilation of official statistics (including through the preparation of Reports on the Observance of Standards and Codes) and,
- Promoting, through the Data Dissemination Initiatives (e-GDDS, SDDS, SDDS Plus) the disciplined publication of data by countries themselves to allow the public, market participants, and rating agencies to conduct their own monitoring of economic conditions and policies, which can be contrasted/checked with those in staff reports.

5. Fund staff undertake technical analysis with such data and make policy recommendations in a range of Fund documents. The key products in this regard are the flagships (World Economic Outlook, Global Financial Stability Report and the Fiscal Monitor), the External Sector Report (ESR), country-specific staff reports related to surveillance (Article IV) and use of Fund resources (UFR); and, staff reports recommending new, or changes to existing, Fund policies (policy papers). Each of these products—as well as some specific parts therein, which have additional procedures (such as for Debt Sustainability Analyses (DSAs) for low-income countries which are produced jointly with the World Bank) —undergo a comprehensive internal review process, in the course of which data, estimates, and projections along with policy recommendations are routinely checked. An examination of how and where staff forecasts of key variables, such as growth and inflation, differ from the historical experience, is also undertaken at this stage, utilizing also external assessments.

6. Following the near finalization of such documents at the staff level, they are sent to Fund Management for approval, alongside a record of comments generated in the context of the interdepartmental review process. In cases where there are differences in views within staff, or when further specific Management guidance is deemed necessary, they are highlighted in a cover memo when the documents are forwarded to Management. At that time, Management exercises its discretion, within the constraints afforded to it by the Fund's legal and policy framework, to seek changes / clarifications / adjudicate, following the resolution of which final Management clearance is required to issue the documents to the Executive Board. Throughout the process thus far, staff and Management are prohibited from sharing the documents with national authorities or their representatives at the Executive Board, so as to ensure analytical integrity.

7. Following issuance to the Board, any necessary changes are handled under the Fund's well-specified transparency policy, which both, lays out conditions under which, and the extent to which, further changes can be made, as well as providing mechanisms for ensuring the transparency of such changes.

Expected Outputs of the WGDAI

8. Against this backdrop, the WGDAI will consult area and functional departments and the Board's ad hoc Steering Group (SG) to set out a process to:

- Take stock of the current framework for data and analysis integrity.

- Ascertain whether any changes to Fund processes and procedures governing the integrity of data are warranted.
- Ascertain if there is a need for further clarification on roles and responsibilities at key nodes / points of transition (clearance by authoring department; interdepartmental clearance; Management clearance; Board engagement) in ensuring analytical integrity.
- Recommend any specific actions that may arise in light of points 1–3 above.
- The WGDAI will liaise closely with the separate Working Group on Internal Governance and Staff Voice, with the latter following up—if and as necessary—on any implications for dispute resolution mechanisms that may arise from the findings of this group.

Process, Next Steps, and Timeline

9. The WGDAI proposes the following process of consultation to arrive at its recommendations to Management. The findings of the Working Group will also inform the SG’s report to the Executive Board by the 2022 Spring Meetings. The WGDAI will also consult with the Steering Committee of the Board.

Members of the WGDAI

- Louis Marc Ducharme
- Ceyla Pazarbasioglu
- Rhoda Weeks-Brown

10. The WGDAI would also need staff to support the work it is undertaking—including to serve as a secretariat. We would like to request four staff to support the group to act as its secretariat.

B. WGDAI Process

11. To implement the Terms of Reference, the WGDAI secretariat organized staff focus group discussions, prepared a draft report, and engaged in extensive internal consultations before finalizing the report.

Focus Groups

12. Focus group discussions were held in December 2021. The focus groups discussed the four transition points (or “nodes”) of a typical document production process where the integrity of staff’s analysis could come under pressure ((i) authoring department, (ii) internal review process, (iii) Management clearance, (iv) interactions with the Board and authorities). The objective of the discussions was to seek a range of views on strengths and weaknesses of existing processes and

practices, and to collect ideas that could inform the working group's recommendations to safeguard and where possible strengthen analytical integrity within the Fund.

13. Participants were nominated by five Area Departments, six Functional Departments, ranging from Data / Senior Information Management Officer to Deputy Directors. A

Management Advisor was also nominated by OMD to participate from that perspective. Participants were asked to reflect on a set of initial questions provided in a summary note, along with any other points that they considered relevant. Participants attended in their personal capacity, were assured of the confidentiality of the discussion, and encouraged to speak freely. The discussion was moderated by the WGDAI's secretariat, without the WGDAI Principals present.

Outreach and Review

14. An early draft of the paper was shared for comments with several departments across the IMF.

Early drafts of the report were shared across departments represented by the WGDAI principals (LEG, SPR, STA), including to seek input for specific sections. Heads of Area Departments and a few Functional Departments were also given a chance to comment on early drafts of the report. The WGDAI also shared with, and solicited comments on a draft version of the report from the Staff Association Committee (SAC).

15. A staff townhall helped raise awareness of the work of the WGDAI and related workstreams.

The February 15, 2022, townhall on the "Ongoing Review of Institutional Safeguards" provided an opportunity for the Chairs of three parallel but related work streams to explain to staff the nature of their work and answer questions: the WGDAI, the Steering Group of the Executive Board on Institutional Safeguards, and the Working Group on Internal Governance and Staff Voice. Office hours with WGDAI members for any staff to raise confidentially any issues pertaining to the report were held in March.

16. The draft WGDAI report was circulated for internal review by all departments through eReview on February 24, 2022.

Heads of Department were encouraged to share the report widely. Comments received have been incorporated into the final version of the report. A document outlining how departmental comments were incorporated was shared with reviewing departments and posted on eReview.

17. The draft WGDAI paper was shared with the IEO, and the report incorporating departments' comments was shared simultaneously with Fund Management, the Executive Board Steering Group (SG), and the External Expert Panel.

Comments received have informed the final report.

18. Finally, the WGDAI conducted informal discussions with other international financial institutions to discuss best practices in preserving data and analytical integrity.

The Working Group shared with them a brief note that outlines the IMF's framework for supporting analytical integrity in staff reports as the basis of a confidential discussion. These discussions were very helpful in informing staff's thinking on these issues.



June 9, 2022

EXTERNAL PANEL OF EXPERTS' REVIEW OF THE IMF'S DISPUTE RESOLUTION SYSTEM

EXECUTIVE SUMMARY

The International Monetary Fund (The "Fund") is one of the most respected international financial institutions ("IFIs"). Its reputation is built on the high caliber of its staff, as well as its thorough and impartial assessment of member countries' economies. To ensure that staff can speak truth to power, workplace conflicts of any kind are resolved fairly, and that the adherence to high ethical standards is adequately monitored, the Fund has tasked an independent panel of experts (The "Panel") to benchmark and evaluate its dispute resolution system (DRS), as well as to make recommendations for improvement.

The Fund has multiple complementary channels in its DRS available to staff and appropriate policies governing its dispute resolution framework. Like many of its peer institutions, the Fund's channels for resolving disputes range from informal to formal processes. However, in the view of the Panel there are important issues that inhibit the smooth and effective functioning of the Fund's DRS. Some elements of the current DRS and the ethics framework have not served the Fund well, in terms of its internal disputes and external reputation.

The Fund is a multicultural institution with a workforce that has differing approaches to expressions of concern and disagreements, which may explain to some extent why some staff members are reluctant to use the DRS. More importantly, however, the Panel notes that many staff members are reluctant to complain or to raise legitimate issues because they fear retaliation.

This report makes recommendations for the prevention and early resolution of disputes, whilst at the same time making proposals to streamline and improve the formal part of the DRS. The measures proposed are expected to improve the work environment at the Fund and to foster an environment in which conflicts will be resolved early through dialogue. More importantly, fewer resources and less time will be expended if the Fund's focus is completely shifted towards early and informal resolution. Ultimately, this will foster a more efficient work environment.

The Panel considers that the best remedy is prevention. Staff members should have full knowledge of the rules and the policies that apply to them, and there needs to be transparency with respect to cases filed, the respective findings and disciplinary sanctions imposed, taking into account the need to protect confidential information. This will increase trust in the DRS and accountability to staff. An expedited handling of cases, a strict adherence to deadlines at all the stages of the DRS, and an overhaul of the Grievance Committee process will speed up the administration of justice within the Fund. Furthermore, the Panel recommends the creation of new functions in HRD to help with early conflict resolution and to support staff more broadly. The Panel also recommends the provision of lawyers to represent the interests of staff in the formal stages of the DRS.

Implementing the needed cultural change and creating an appropriate environment for the DRS to function well requires that the Executive Board and Senior Management give a top-down message that fair and early resolution of conflicts is an absolute priority for the Fund and that DRS functions must be adequately resourced. The Panel also recommends organizational changes including a different composition of the Executive Board's Ethics Committee, to ensure that conflicts related to the Executive Board and Management are handled in the most impartial way possible.

The Panel anticipates that the implementation of the recommendations outlined in this report will ultimately lead to a reduction in the overall number of cases filed. In particular, the focus on informal resolution will better ensure that the Fund properly discharges its obligations towards its staff.

A full list of the Panel's recommendations can be found in Chapter VI of this report.

This report has been prepared by an independent panel of experts consisting of Susan Raines, Olufemi Elias and Jens Weidmann (Chair). Ruben Lamdany supported the work of the Panel as Advisor, while Chioma Onwuamaegbu and Shéhan de Sayrah served as the Panel's Secretariat.

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I. THE CREATION OF THE PANEL AND ITS TERMS OF REFERENCE

1. In January 2022, the International Monetary Fund (“IMF” or “Fund”) appointed an External Panel of Experts (“Panel”), “to conduct an independent, strategic review” of the Fund’s Dispute Resolution System (“DRS”) and “the framework for addressing complaints applicable to the Managing Director and Board Officials”.¹ The Terms of Reference provide that:

“The Panel’s review will benchmark the Fund’s DRS against comparators (i.e. other international organizations) and best practices, including from the corporate sector, where relevant, in providing stakeholders with fair and impartial channels of recourse for dissent without fear of reprisal or retaliation and in facilitating resolution of disputes in a timely manner. The review should identify strengths and key gaps of the Fund’s DRS. The review should cover whistleblower protections and mechanisms for receiving such complaints.”²

2. The establishment of the Panel followed the recommendation of the Staff Working Group on Internal Governance and Staff Voice (“SWG IG/SV”). The SWG IG/SV is one of the two Working Groups³ established by the Managing Director as part of the review led by the IMF Executive Board’s Steering Group on Institutional Safeguards (“Steering Group”) following the Executive Board’s review, in October 2021, of the Investigation of the World Bank’s Doing Business 2018 Report. The objective of the Steering Group as well as the Staff Working Groups is to ensure that “the staff, Management and the Executive Board maintain the highest standards possible around internal governance, use of data and accountability”.⁴ The Panel began its work in mid-January 2022, with the report on its work submitted to the IMF’s Executive Board in mid-May 2022.⁵

¹ See paragraph 6, “External Review of the Dispute Resolution System: Terms of Reference” (Annex I to the Report of the Staff Working Group on Internal Governance and Staff Voice (“SWG IG/SV”), attached hereto as Appendix I). When in this document reference is made to the Managing Director or Executive Board Officials, this relates to the functions and not to specific persons.

² See paragraph 7 of the Terms of Reference, Appendix I.

³ The other Working Group established by the Managing Director is the Staff Working Group on Data and Analysis Integrity. The Staff Working Group on Data and Analysis and Data Integrity assessed the frameworks and institutional processes in place at the Fund to help ensure data and integrity. It identified the risk of staff’s analysis being subject to undue pressure, and proposed recommendations to address this.

⁴ <https://www.imf.org/en/News/Articles/2021/12/17/pr21384-imf-executive-board-announces-follow-up-work-on-institutional-safeguards>

⁵ The Panel had a period of nearly four months in which to perform its tasks.

II. OVERVIEW OF THE FUND'S DISPUTE RESOLUTION SYSTEM AND RELATED SERVICES

3. The IMF, like other international financial institutions (IFIs) and international organizations, has established internal mechanisms for staff to raise concerns and to resolve workplace disputes. The component parts of the DRS were created pursuant to Rule N-15 of the Fund's Rules and Regulations, which requires the establishment of "appropriate procedures" to be "established for consideration of complaints and grievances" of staff. The Fund's informal and formal systems for resolving disputes are set out in GAO 11, Chapter 11.03 of the Staff Handbook, and on the DRS intranet page.

4. The Fund's DRS, which has evolved over time, consists of various mechanisms and offices whose purpose is to facilitate prevention, reporting, mitigation, and resolution of workplace grievances to ensure accountability of individuals and the institution. The system includes informal services, formal services, and ethics and integrity services. The informal services are established to afford staff avenues for resolution of their issues but do not entail a formal grievance, including the services of the Ombudsperson and the Mediator, as well as peers for a Respectful Workplace (PRW). Informal DRS services are available to assist staff at any time. The currently offered formal services, which involve invoking procedures with established time limits, include the two-tier administrative review process (in which staff and contractual employees can request review of decisions regarding their career and benefits by Human Resources Department (HRD)), the Grievance Committee (before which Staff may challenge that outcome of the administrative review process) and ultimately the Administrative Tribunal. Contractual employees may request arbitration as a final step in their dispute resolution process after administrative review. The Ethics and Integrity services (namely the Ethics Office and the Office of Internal Investigations ("OII")) aim to advise and ensure compliance with the Fund's standards of conduct. A framework also exists that applies to the Managing Director and the Executive Board of Directors.

These various offices and mechanisms will be examined in detail in Chapter V below.

III. THE CONDUCT OF THE PANEL'S WORK

5. In this section, the Panel will describe its approach to its work, the copious data sources gathered and analyzed, as well as the factual outcomes of some of those tasks which informed the Panel's assessment of the DRS and related services. The Panel's work included a review of previous appraisals of the DRS; benchmarking of the Fund's dispute resolution system against the dispute resolution systems of other international financial institutions and international organizations; a Pulse Survey ("Survey") to better understand the perceptions and experience of employees of the Fund; interviews and other communications with a range of stakeholders including leaders and users of the DRS; examination of the outcomes of administrative reviews and OII enquiries; as well as a review of policies, procedures and other documents regarding the functioning of dispute resolution offices, the Ethics Office and the Office of Internal Investigations,

including annual reports, reports of recommendations of the Grievance Committee and judgments of the Administrative Tribunal. Each of these is discussed further below⁶.

A. Previous Reviews of the Fund's DRS

6. The Panel reviewed previous evaluations of the DRS, noting the issues raised in such evaluations, to be able to compare them with the issues identified by the Panel's review. The Panel also analyzed the extent to which previous recommendations had been implemented and whether issues identified over time persist.

The 2001 Review

7. In January 2001, the Fund appointed an external panel of experts to carry out an independent review of the DRS. The panel assessed the extent to which the DRS facilitated the resolution of employment related disputes in a timely and cost-effective manner, while providing employees with fair and impartial channels of recourse and meeting the institutional needs of the Fund. The panel further analyzed the strengths and weaknesses of the DRS and its implementation. The panel concluded that the Fund's DRS was fundamentally sound and compared favorably with other international organizations, but nevertheless recommended several changes to the system and procedures. These recommendations were divided into ten categories: (i) information and communication; (ii) dispute prevention as an objective in human resources policies and procedures; (iii) the role of the Ombudsperson; (iv) the role of the Ethics Officer; (v) the scope of grievable decisions or acts; (vi) the standard of review used in deciding grievances; (vii) the process of administrative review; (viii) the operations of the Grievance Committee; (ix) the operations of the Administrative Tribunal; and (x) arbitration procedures for contractual employees. The main areas of focus were the following: improving communication and transparency, reinforcing the emphasis on conflict prevention, strengthening the emphasis on mediation and conciliation, enhancing access to the dispute resolution system and increasing the efficiency of the dispute resolution processes. The Fund approved nearly all the recommendations and put in place a Management Action Plan being instituted in 2002.

The 2013 Review

8. In the following twelve years, no further reviews of the DRS system were undertaken; unlike other aspects of the Fund's operations, there is no formal requirement to periodically

⁶ The categories of disputes covered by the DRS include:

Disputes between staff and managers/Fund on performance reviews, salary increases and benefits; accusations of harassment, bullying and discrimination against managers or colleagues; retaliation and complaints pertaining to the MD and EDs.

review the DRS or individual components of the system. In the interim, parts of the DRS were reviewed by the Legal Department (LEG) and HRD.⁷

9. A Fund-wide staff survey was undertaken in September-October 2012, and the Fund's management announced an action plan to address the issues identified in the survey. The Office of Internal Audit and Investigation (OIA) was charged with reviewing the DRS to determine the extent to which it facilitated a timely and efficient disposition of employment-related disputes, thereby providing employees with a fair and impartial channel of recourse, and at the same time, meeting the institutional needs of the Fund. As part of its review, OIA reviewed the status of the implementation of the 2001 recommendations and subsequent Management Action Plan. The 2013 review noted that, as of December 2012, two-thirds of the Management Action Plan had been implemented, while a third was either not implemented or was still in the process of being implemented. The report contained a comprehensive review of the Management Action Plan and the status of each of the recommendations.

10. The review found that the DRS was well constructed, and that it struck a balance between the informal and formal mechanisms, comparable to other international organizations. However, there was uncertainty as to whether the DRS met the Fund's internal organizational objectives. This was because the staff survey of 2012 showed that slightly less than half the respondents lacked confidence in the DRS and did not trust the process and feared retaliation from their supervisors or managers for using the DRS.⁸

11. The Report made seven medium-impact recommendations, which OIA would follow-up until implementation, as well as two low-impact recommendations, which would be up to the discretion of the relevant departments. The seven medium-impact recommendations were the following:

- **Recommendation 1:** HRD should develop and implement a communications strategy to change perceptions of the DRS and not just to raise awareness;

⁷ For example, the Statute of the Fund's Administrative Tribunal was amended in 2009 with respect to the appointment of the members of the Tribunal, the duration of their term and the composition of the Tribunal. Also, a 2011 report by the Fund's Independent Evaluation Office (IEO) titled "IMF's Performance in the Run-Up to the Financial and Economic Crisis" identified (i) a number of concerns regarding political influences on the Fund's work (e.g. pressure to amend reports to change the message sought to be conveyed, requests by country authorities regarding the composition of mission teams, or pressure to focus on specific policy objectives) and (ii) the absence of an environment at the Fund that encourages the ability to speak "truth to power", candor and diverse or dissenting views. For the full 2011 IEO Report, please see hyperlink: [IMF Performance in the Run-Up to the Financial and Economic Crisis – IMF Surveillance in 2004-07 | imfsg](#)

⁸ SWG IG/SV Report, para 17, discussed further in Chapter V below. The Panel notes that 660 staff responded to the 2012 survey, amounting to about 20% of all employees. The Panel does not consider that this low number provides a basis for minimizing the extent to which staff who did not participate in the survey may have held similar views. The percentage would likely be higher if the relevant total population is that of employees who had used the DRS, rather than all staff. Furthermore, as will be seen in Chapter III. C and V below, many of the issues identified in the 2012 survey are also to be found in the 2022 Pulse Survey, to which 1,599 participants responded (almost 40% of all employees).

- **Recommendation 2:** HRD should formulate and implement an action plan to address fear of reprisal, taking into consideration suggestions offered by the subject-matter experts and best practices at comparator institutions;
- **Recommendation 3:** HRD should issue reports regularly on status and outcomes of administrative reviews conducted in departments and HRD, and include this reporting requirement in GAO No. 31;⁹
- **Recommendation 4:** HRD should develop and implement an oversight and accountability framework for the Fund's dispute resolution system. The framework should include evaluation and oversight components;
- **Recommendation 5:** To improve the conduct of Administrative Review, HRD should (a) develop an explicit procedural guideline (for greater clarity) for Administrative Review; the guideline should be shared with departments for their conduct of Administrative Review; the guidelines should be made available to staff; and (b) notify staff that the services of the Office of Mediation is always open to them at any stage of the dispute resolution system and that the staff member is entitled to proceed to the Grievance Committee if HRD cannot adhere to the prescribed 45-day time limit;
- **Recommendation 6:** To streamline the operations of the Grievance Committee and to expedite the process, HRD and LEG, in consultation with Staff Association Committee (SAC), should work with the Grievance Committee Chair to document rules of procedure and include provisions to expedite proceedings, and the rules should be made available to staff; and
- **Recommendation 7:** HRD and LEG should formalize an arrangement to allow the Grievance Committee to present its views to the MD when HRD and LEG advise the Managing Director to deviate from the Committee's recommendation.

12. One theme raised in both the 2001 and 2013 reviews related to the culture within the organization. It was noted that "while repeated messages from management and individual department directors might lessen the fear of retaliation, a more comprehensive and innovative approach would be required to change the culture at the Fund."¹⁰

13. As noted in Appendix IV to this Report, Recommendation 2 on the fear of retaliation and reprisal was partially addressed with the amendment of the Fund's Retaliation Policy in 2019.¹¹ Recommendation 3 was implemented with the issuance of annual reports on requests for administrative review since 2013. (However, there has been no reporting issued to date in respect of the 2019–2021 calendar years, and HRD does not expect to have capacity to publish these reports

⁹ Establishment of the Grievance Committee and the exhaustion of the Administrative Review process, now set out in Chapter 11.03 of the Staff Handbook.

¹⁰ Review of the Fund's Dispute Resolution System, 29 May 2013 at paragraph 60.

¹¹ IMF's Retaliation Policy, Annex 11.01.6 to the IMF Staff Handbook. See also Chapter V. D, for the Panel's findings on retaliation and an assessment of the amendments to the Fund's retaliation policy.

until late 2022).¹² Recommendation 5 is yet to be fully implemented, with the DRS intranet page providing only a basic explanation of the administrative review procedure. Furthermore, HRD has developed detailed procedural guidelines for the conduct of administrative reviews; however, these guidelines are yet to be published or presented to staff.

B. Benchmarking Against Other IFIs and International Organizations

14. As part of this Panel's review, it undertook a benchmarking exercise of the dispute resolution systems in eleven other IFIs and comparable international organizations, as well as the Deutsche Bundesbank. The following organizations were included in the benchmarking exercise: the Asian Development Bank, the Bank for International Settlements, the Deutsche Bundesbank, the European Bank for Reconstruction and Development, the European Central Bank, the European Investment Bank, the Inter-American Development Bank, the International Labor Organization, the Organization for Economic Co-operation and Development, the United Nations, the World Bank and the World Health Organization.¹³

15. The Panel sought to compare the ways in which these organizations dealt with staff disputes, through interviews and questionnaires to each organization. The Panel also met approximately 30 officials and leaders from these organizations to compare their DRS systems and practices. Examples of good practices in other organizations are provided where relevant throughout the report.

16. The benchmarking aims at identifying best practices and revealed many broad similarities in the systems of all the IFIs and organizations, including that of the Fund. There were differences in other respects, and the Panel however notes the following information, to which it will return later in this Report:

- Two organizations had stricter rules for the heads of their organization and the Executive Board Members, than those applicable to staff members given the higher reputational damage stemming from a potential unethical behavior of the institutions' leadership.
- All IFIs benchmarked have a Board Audit Committee, to which their internal audit office reports.
- One organization's Board Ethics Committee is composed of former Governors of the institution and an external secretariat to ensure neutrality and independence. This organization highlighted the independence of the Ethics Committee and emphasized that they sometimes act on its own initiative and proactively launch an investigation, where the Ethics Committee determines that it needs to do so.

¹² While HRD has recently welcomed a secondee on loan from the ECB and another staff member on a temporary contract, the Panel finds that the challenges with reporting and meeting deadlines that were noted in the 2013 external assessment remain problematic as of this writing.

¹³ The Panel agreed with each of the above referenced organizations that in principle, information they have provided will be treated as confidential. However, some of the information is also publicly available. As a consequence, the information presented in this Report will not be attributed to any particular organization. The Panel furthermore suggests that the organizations that have agreed to take part in this benchmarking exercise share the information amongst themselves and continue exchanging on their experiences with their DRS regularly.

- Seven organizations take a proactive approach to retaliation and seek to protect the complainant by proactively offering interim measures where appropriate once the complaint is known, even without a request from the complainant and before a preliminary assessment is completed on the cases.
- Five of the organizations highlighted the proactive, fundamental and solution-oriented role that their HR offices play in conflict prevention, conflict management and informal conflict resolution.
- One organization highlighted the proactive role that their legal office plays at the administrative review stage, in making every effort to resolve the issues and avoid escalation wherever possible.
- Four of the organizations have Employee Relations teams who coordinate and facilitate the timely and informal resolution of many disputes. These Teams are split into units, one of which deals with requests for administrative reviews and the other focusing on informal resolution of disputes. Two other organizations are considering establishing Employee Relations offices.
- Three organizations have staff legal advisers who represent and assist staff through the dispute resolution process, to promote equality of arms. Two other organizations are considering establishing a similar office of staff legal assistance.
- Two organizations provide the response to the staff member after administrative review, within 20 days of the complaint being lodged. Two other organizations provide the administrative review response to the staff member within 30 days. The Panel's interviews with other organizations demonstrated that the organization typically complied with their deadlines.
- One organization has an online tracking tool on its intranet where they update case status and case progress, which only the staff members involved in the case can access to get a live real-time update on the progress of their case.
- One organization also has a toolkit for self-represented staff members who wish to use the dispute resolution system, to better inform them of their rights and guide them through each step of the process.
- Most of the organizations publish (and share with staff) annual reports on case outcomes/statistics which they share for both their informal and formal dispute resolution mechanisms, as well as their Executive Board's Ethics Committee.
- All IFIs benchmarked confirmed that the heads of their "DRS" offices (both the informal and formal mechanisms, as well as the ethics and integrity services) can report to the Executive Board and the head of the organization on their cases, activities, and systemic issues at least once a year.
- All IFIs benchmarked do not distinguish between the *staff* (rather than "employees") who work in their "DRS" offices and other staff in terms of their contractual status. The staff in the DRS offices are not considered ancillary, and due consideration is given to the fact that the functions they perform are needed on a permanent basis.

C. Pulse Survey

17. A Pulse Survey ("Survey") was conducted in February 2022, the purpose of which was to enable the Panel to gain a better understanding of staff's perception of the Fund's dispute resolution system from the perspective of those for whom the system was created. The questions were framed in a manner that would shed light on the strengths and deficiencies in the system. The comments from the responses of the participants shed light on the concerns they have regarding the dispute resolution system as well as about the Fund and its Management. The Panel oversaw the data collection process to ensure fairness in the reporting. The results of the Survey are attached hereto in full in Appendix III.

18. A total of 1599 responses were received (almost 40% of total staff). Of this number, 1393 respondents completed the Survey in full and 206 completed the Survey only partially. Table 1 below provides a breakdown of the number of staff by department who responded to the Survey compared to the total number of employees at the Fund, while Table 2 provides a breakdown of respondents by grade.

Department Category	Total Staff	Survey Respondents	Response Rate in percent
Functional Area	2096	785	37
Support	1007	414	41
Executive Board	842	353	42
Independent Office	155	32	21
	47	15	32
All Staff	4147	1599	39

Grade Category	Total Staff	Survey Respondents	Response Rate In percent
Executive Directors/Alternates, Sr. Advisor/Advisor	98	20	20
MD, FDMD, DMDs, B4-B5	82	54	66
B1-B3	265	143	54
A14/A15 Titled Managers (DDC/UC)	317	162	51
A1-A8	448	187	42
A9 – A14/A15 Individuals Contributions	1837	749	41
Contractual/A9-A14/A14 Individual Contributors	662	164	25
Contractual A1 – A8	438	120	27
All Staff	4147	1599	39

19. Respondents were asked questions about their ability to express their views freely and openly, without fear of retaliation, where such views differ from the views held or promoted by their supervisors or managers. Questions were also asked about the opinion of staff on Management (namely the Managing Director and the Deputy Managing Directors) and issues of ethics. Table 3 below sets out some of the questions and the responses thereto.

Survey Questions	Unfavorable	Neutral	Favorable
I can report unethical behavior without fear of reprisal.	32	22	47
I would feel comfortable approaching management above me about my dispute, without fear of retaliation.	31	21	48
Management above me responds to my ideas, problems, and complaints	18	24	58
When it comes to being candid, I feel comfortable 'speaking truth to power' at the Fund	38	23	39
I feel like I can express dissenting views on different topics to my manager, without fear of retaliation	22	19	60
In my opinion, my work is not unduly influenced (i.e., undermining analytical integrity) prior to finalization.	18	0	82
I feel that the rules governing the conduct of management are as strict or more strict than those applicable to staff.	46	33	20
Management and Executive Directors lead by example in promoting ethical behavior	36	32	32
Management and Executive Directors lead by example in promoting fair and respectful treatment of staff	29	32	39
Management and Executive Directors lead by example in promoting a culture of openness and integrity	33	31	36
I am aware of the avenues for reporting disputes at the Fund	10	12	78
I am confident that the avenues of dispute resolution at the Fund are effective at handling employees' dispute	29	35	36
I feel the institution provides a thorough response in addressing disputes and ethical concerns	27	34	38

20. The results of the Survey show that approximately a third of the respondents fear retaliation and do not trust the system, which is specifically set up to provide them with a forum to effectively resolve disputes. Almost two-fifths of respondents did not feel that Management leads from the top and is held to a lower standard of accountability. These numbers are supported by comments made by staff in the Survey, and the experiences and concerns that staff expressed to the Panel during the numerous interviews that were undertaken and will be discussed further in Chapter V of the report.

21. The Survey also included questions about staff observations and experience with bullying/intimidation, discrimination, and sexual harassment. The respondents were able to provide comments on these questions.

Table 4. Question Related to Bullying/Intimidation, Discrimination and Sexual Harassment

(in percent)

Questions	Yes	No
In the past 5 years, I have observed : Bullying/Intimidation	38	62
In the past 5 years, I have observed : Discrimination	30	70
In the past 5 years, I have observed : Sexual Harassment	5	95
In the past 5 years, I have experienced : Bullying/Intimidation	21	79
In the past 5 years, I have experienced : Discrimination	26	74
In the past 5 years, I have experienced : Sexual Harassment	3	97
In the instances the response was YES for any of the above questions, what proportion of staff reported the incident?	31	69
In the instances the incident was reported, what proportion of staff were satisfied with the outcome?	26	74

22. Only a third of respondents reported incidents of bullying or intimidation, discrimination, and sexual harassment, and approximately three quarters of those respondents were not satisfied with the way in which the Fund dealt with these issues. The responses reveal that staff did not report these incidents because they did not believe that appropriate corrective action would be taken or that the situation would not be resolved in a fair or impartial manner. Additionally, staff feared retaliation for reporting the allegations, particularly from managers.

D. Engagement with Stakeholders

23. The Panel interviewed 25 current and former employees, including staff with grade levels ranging from the top of the B category to the lower end of the A category, as well as contractual employees, almost all of whom have used the DRS within the last five years.

In addition, the Panel met with the following stakeholders:

- The IMF Executive Board's Steering Group on Institutional Safeguards;
- Members of the Staff Association Committee (SAC);
- The Staff Association's Lawyer;
- The Ombudsperson;
- The Mediator;

- The Ethics Advisor;
- The Head of the Office of Internal Investigations (OII);
- The Director of HRD and HRD staff;
- The General Counsel and Director of LEG and relevant LEG staff;
- The Executive Board's Ethics Committee;
- The Deputy Managing Director responsible for HRD;
- The Director of the Independent Evaluation Office (IEO);
- The Director of the Office of Budget and Planning (OBP) and staff;
- The current Chair of the Grievance Committee;
- The outgoing Chair of the Grievance Committee;
- The Registrar of the Administrative Tribunal;
- The former Head of the Office of Innovation and Change and staff;
- The Diversity and Inclusion Advisor and staff;
- External lawyers who represented clients in the DRS.

24. The Panel had provided all Fund employees confidential and external email access to the Panel and encouraged them to send confidential messages about their experiences and views of the Fund's existing system, and to offer suggestions on how they thought the system could be improved. The Panel received many responses from staff, contractual employees, supervisors, and line managers at various levels on a number of issues and arranged confidential meetings with most of them individually. Some other employees did not meet with the Panel but instead only sent written statements and documentation to the Panel. In keeping with the Panel's undertaking to these employees, no information will be provided in this report or anywhere else that might make it possible to identify individuals who communicated or met with the Panel. The Panel has used some of the language and expressions made by these participants for emphasis in this report (without attributing it to anyone).

25. The Panel wishes to emphasize that it has been mindful of the risk of selection bias and has carefully taken that into consideration in ascribing value to the information it gathered from its engagement with these stakeholders. The Panel notes the consistency in the views expressed and the firmness of the perceptions of the stakeholders who engaged with the Panel. The Panel finds that the information obtained from its engagement with stakeholders aligns with the results of the Pulse Survey as set out in Tables 3 and 4 of the previous section. This provides credible grounds for the conclusion that the perceptions of these stakeholders regarding the DRS are considerably more widely held—and warrant a committed response—than would be suggested by focusing on the number of individuals who engaged with the Panel.¹⁴ In this regard, the Panel also notes that the number of staff members who communicated with them represents a large fraction of the total number of informal and formal DRS users, considering that, over the last five years from January 2017 to April 2022, there have been 9 Administrative Tribunal cases and 20

¹⁴ See the following section regarding the results of the Pulse Survey. See also the results of the 2011 IEO Report.

Grievance Committee cases. The objective and subjective data analyzed for this effort revealed the following information:

- Virtually all of the persons who communicated with the Panel stated that the culture at the Fund did not encourage employees to “speak up”.¹⁵ They perceived that hierarchy was particularly important at the Fund.
- All of the persons who communicated with the Panel and had used the DRS complained that they had suffered retaliation, felt they were not adequately protected from retaliation by the Fund, and they stated that the people responsible for retaliatory acts were not held accountable. They were given the impression of a lack of resources in OII, referred to the difficulty of determining that retaliation constituted official misconduct under the current Fund policy, and a culture of impunity for supervisors and managers at the Fund. They stated that retaliation requires quick decisions but complained that investigations take too long, with two relatively recent investigations taking well over 100 days each.
- Most of the stakeholders who communicated with the Panel, including those who had used the DRS, commented on the length of time taken by the formal DRS processes, sometimes taking years to get resolution through the Grievance Committee or Administrative Tribunal. Sometimes, one or both parties to the dispute might have left the Fund by the time the matter was resolved. Such delays in the process undermine the credibility of the Fund’s commitment to ensuring fair processes for dispute resolution and reduce the willingness of employees to use the DRS.
- Many of the stakeholders who communicated with the Panel commented on the inequality of arms between them and the Fund. They referred to the high personal toll, as well as the financial cost of hiring legal representation. They stated that the Fund’s extensive resources and legal experts could not be compared to the situation of the complainants who do not have requisite skills or knowledge to represent themselves and need to pay expensive legal fees in their quest for justice. Some do not consider that the system is available to them, and view the structure of the system, coupled with the length of time the processes take, as a deliberate tactic to discourage complaints.
- Many of the stakeholders who spoke to the Panel were concerned that conflicts escalate easily and that there is need for more informal resolution. Most of the stakeholders who had used the system also complain that the Fund’s posture within the formal system is adversarial, and that there is inadequate attention paid to early resolution and settlement.
- A number of stakeholders who communicated with the Panel, including those who used the DRS, claimed that HRD refused to disclose requested documents to them either before or as part of their request for administrative review; such refusal prolonged litigation because the aggrieved party would then typically proceed to challenge the decision before the appropriate formal DRS mechanism, while this may have been avoided had the information been provided at the earlier stage.

¹⁵ See the results of the Pulse Survey, at para. 21 above.

- A number of stakeholders who communicated with the Panel complained about the lack of access to the DRS for employees in the Office of the Executive Directors and contractual staff. This limits their ability to share conflict trends or ideas to improve the culture of disputing at the Fund.
- Several employees who spoke to the Panel stated their perception that there are currently inadequate or unclear safeguards or mechanisms in place for dealing with issues of undue influence or alleged violations of data integrity.¹⁶ All of the employees who spoke up about the pressure placed on them to alter their reports unjustifiably were allegedly subjected to retaliation and reprisals. Yet, of the 16 retaliation inquiries conducted since the 2019 policy change, none have resulted in any findings of misconduct. It should be noted that these 16 inquiries arose from various retaliation claims, not solely matters of data analysis and integrity.

E. Comments on the Panel's Preliminary Findings and Recommendations

26. The Panel shared its preliminary findings and recommendations with the Executive Board's Steering Group on Institutional Safeguards (at a meeting that was also attended by a range of stakeholders), Management, LEG, HRD, Heads of the DRS and related offices. The Panel also received comments on an early draft of its report from members of the SWG IG/SV, the Executive Board's Steering Group on Institutional Safeguards, HRD, LEG, OIA, heads of the DRS and related offices. The Panel benefited from the comments provided.

IV. GENERAL PRINCIPLES FOR MANAGING WORKPLACE CONFLICTS AND RESOLVING DISPUTES

27. The Panel's review of the dispute resolution system at the Fund has been guided by several principles. The Panel considers that a good system for preventing, managing, and resolving disputes should emphasize accessibility, accountability, efficiency, responsiveness, and transparency. It should encourage conflict management and conflict prevention. Disputes that do arise should be resolved informally and amicably, in confidence and without retaliation. A well-functioning dispute resolution system serves the mission and the people of the Fund by surfacing and resolving problems effectively and fairly.

28. The Panel attaches importance to the creation of opportunities for resolution of disputes and for informal resolution to be proactively encouraged at any stage of the dispute. Management must demonstrate willingness to resolve disputes; the threshold to resolve matters informally should be low, opportunities for resolution should be easily accessible and doors should be open. Similarly, from the side of staff, there should be a willingness to resolve the dispute

¹⁶ An intranet search of Fund policies and procedures shows there is no policy entitled or using the key words "Data Integrity or Data analysis Integrity". Instead, there is a Transparency policy which references the issue, yet it remains unclear how such disputes are to be addressed in the DRS, if at all.

through discussion and compromise. The best resolution of a dispute is one reached by the parties themselves, with each party being ready to listen to each other and with each party respecting the point of view of the other(s). The Panel considers that it is never too early or too late to settle or resolve a dispute. The Panel also considers that the parties to a dispute should do everything possible to avoid having to resort to the formal processes. Furthermore, an efficient and credible system can be established only if the organization is committed, at its highest level, to the principle of accountability, and if priority is accorded to dispute resolution including required resources.

29. It should also be underlined that such a dispute resolution system functions within the context of an employment relationship. An employment relationship is a very special contractual relationship. In a workplace environment, particularly in an international organization such as the Fund, people with different personalities, backgrounds, and interests from different cultures work together, in a generally hierarchical structure. Conflicts are therefore likely to occur. A wide variety of employment-related issues may arise, including career-related issues, issues related to compensation, benefits and entitlements, interpersonal grievances and disciplinary matters. They may be caused by various factors such as a lack of communication, resistance on the part of the staff to the implementation of legal or policy changes, management issues or behavioral problems such as bullying, harassment, misuse of Fund resources, retaliation, etc.

30. Disputes must be approached with an open mind and handled in an efficient and speedy manner. It is understood that employment relationships are inherently unequal, but it is also clear that it is in nobody's interest to have protracted and over-legalized disputes. While an internal appeal process and access to a tribunal are critical parts of the dispute resolution system, they should remain instances of last resort. Other options should be seriously considered and explored first. The prime consideration should be given to early and amicable resolution, as persons involved in the dispute are, in most cases, bound to work together again after the disagreement is resolved.

31. There is no single blueprint for an ideal internal dispute resolution system applicable to all international organizations, and differences do exist for historical, cultural, and structural reasons, as well as those due to policy decisions. Nevertheless, based on the foregoing, some general characteristics of a good dispute resolution system can be identified: the system should provide appropriate and easy access; it must also be transparent, non-discriminatory, fair, expeditious, authoritative and ultimately independent. It must respect the rule of law.¹⁷

32. The primary goal of a dispute resolution system is to serve the organization by contributing to a harmonious and respectful work environment: rules, processes and

¹⁷ As a public intergovernmental organization, the Fund enjoys privileges and immunities necessary for the proper and unimpeded functioning of the organization, one of which is immunity from local jurisdiction. As a consequence, staff do not have access to the local courts for the settlement of disputes, particularly the settlement of employment related disputes. The Fund, like any other international organization, therefore, has an obligation to put in place a set of internal laws, rules and regulations that protect and apply uniformly to all staff. The need for a well-functioning internal justice system is even more important to protect the Fund itself, and to ensure that its privileges and immunities continue to be respected.

procedures serve no purpose if they are not accompanied by a well-functioning, efficient and effective dispute resolution system, which provides realistic opportunities to employees to manage and curtail conflict, thereby enhancing a positive and productive atmosphere in the workplace. This in turn, allows an organization to best fulfill its mission, mandates, and goals. Strategic changes to the DRS may ultimately fail if the Fund's organizational culture remains unchanged. This observation goes beyond the changes proposed in this document. Any significant effort to implement new strategic initiatives at the Fund will be compromised until the organizational culture is transformed in ways that better prevent and punish retaliation; transparently expose and redress misconduct, bullying, harassment and other violations of policy and shared behavioral norms; and create a cultural expectation that the careers of victims will not be worse off after a complaint process than the careers of perpetrators whose wrongdoing was substantiated through a timely and fair investigatory process. Robust organizational cultures repel predatory or abusive behaviors at all levels in the organization while enhancing the image and mission of the organization. In organizations that are perceived to treat employees fairly and with respect, peers are less tolerant of low performers and more willing to support the decisions of organizational leaders who strive to improve performance. An organization's culture, including its values, can be inferred from its decisions, budgetary priorities, the professionalism exhibited in interpersonal interactions, its attention to issues of fairness and transparency, its adherence (or lack thereof) to its own rules and procedures, the willingness of employees at all levels to speak up and speak out as necessary to protect the organization's mission and people. As noted in previous external assessments, the culture of the Fund has some positive elements such as the esteem with which its employees view its mission and their role in its achievement. The Fund's culture also needs to change in critical ways that illustrate its commitment to proactive, collaborative, early problem-solving that upholds shared values of transparency, timeliness, fairness, accountability, and protection for those who speak up.

33. Incentives shape human behavior, as economists know. When assessing the DRS and related policies and procedures, the Panel repeatedly examined the incentives at work that either enhance and support the culture of effective, fair, dispute resolution at the Fund or worked counter to it. Many of our observations and recommendations can be traced to the examination of underlying positive or counter-productive incentives.

V. THE PANEL'S FINDINGS AND EVALUATION OF THE DRS AND RELATED OFFICES AND PROCESSES

A. General Issues and Observations

34. The Fund has implemented its statutory obligation under Rule N-15 to provide "appropriate procedures" for the consideration of complaints and grievances of individual persons on the staff of the Fund on matters involving the consistency of actions taken in their individual cases with the regulations governing personnel and their conditions of service". It has a comprehensive internal body of law that appropriately covers the employment terms and conditions of its staff and sets out the duties, obligations, and rights of staff members. In many

ways, the DRS processes and procedures of the Fund are comparable to the practices and procedures in the other benchmarked international organizations. The DRS and related offices provide multiple formal and informal mechanisms for employees to express their workplace concerns.

35. The Fund's DRS and related offices are staffed with talented professionals with extensive experience in dispute resolution (often gained in other international organizations) serving as heads and as employees of the various offices.

However, in the words of a leader in one of the organizations benchmarked as part of this review:

DRS are pieces of art. They can pass legal muster and look great on paper. In the end, it does not matter at all if the culture prevents people from using the DRS or if the DRS does not hold senior managers accountable.

36. Following the terms of reference, the Panel has considered the work and findings of the Report of the SWG IG/SV,¹⁸ which provides a positive view of some aspects of the DRS, as well as some areas for improvement. For example, the SWG IG/SV states that "[d]espite concerns expressed in surveys and other channels, the DRS is utilized by staff",¹⁹ and points out that the Fund "has worked to progressively strengthen its policies and procedures on workplace harassment and retaliation".²⁰ However, it also draws attention to many issues and recommendations for improvement, some of which, as will be seen in Chapters V and VI of the present report, align generally with the Panel's findings and recommendations. The SWG IG/SV stated, for example, that ("[d]espite progressive changes and statistics on access, staff surveys continue to show reticence to use or trust the DRS."²¹ Referring to the 2013 Review of the DRS by OIA, it continued:

In its 2013 review, OIA noted the results of a 2010 staff survey that found that less than half of respondents had confidence in the DRS and feared retaliation. A 2013 survey had particularly disappointing results on staff's confidence in the DRS and their ability to speak truth to power. A high share of respondents—88, 95, and 93 percent, respectively—had favorable views of their awareness of workplace values, avenues for reporting harassment and other unethical conduct, and avenues for resolving disputes; however, just 50 percent trusted the integrity hotline and only 38 percent were confident that dispute resolution was effective. In the survey, 96 percent reported experiencing or observing sexual harassment, 84 percent experiencing or observing discrimination, and 74 percent experiencing or observing bullying or intimidation in the previous 24 months. On questions on openness and trust, challenging traditional ways of doing things, and on the ability to report unethical behavior without fear of reprisal,

¹⁸ Appendix II.

¹⁹ At para. 16.

²⁰ At paras 13-15.

²¹ At para. 17.

just 39, 28, and 44 percent, respectively, had favorable views. On whether there is a conducive environment for the Fund to listen to or respond to staff ideas, problems, or complaints, just 40 and 30 percent had a favorable view, respectively. Finally, just 19 percent had favorable views on the willingness of staff to reveal problems or errors to their supervisors.

37. Furthermore, while the SWG IG/SV stated that the DRS is utilized by staff, it also stated the view of the DRS managers that “business culture issues affect the work environment and have the potential to constrain voice—before issues reach the DRS and its offices.”²² The SWG IG/SV report goes on to state:

Several office heads observed that the IMF is not immune from adverse workplace behavior or difficult cases and that concerns with potential retaliation may prevent staff from voicing dissenting views. The Fund’s hierarchical structure, staff’s visa status, long careers, and a perception of the importance of informal networks to one’s reputation may contribute to fear of reprisals. An important observation concerns perceptions of inaction or delayed action by managers or the institution to address concerns or issues that are known, come to light, or are seen as chronic. This is despite the 2017 harassment policy changes that require managers to report issues and cases. Inaction or delayed actions contribute to a perception of impunity for managers and to mistrust, cynicism, concerns with reprisal, and lack of voice. An improved environment will require taking early, and ideally, anticipatory, and proactive steps.

The Report proceeded to stress the importance of awareness and training.²³

Regarding the present report, the Panel notes the following from its Terms of Reference:

The IMF’s Executive Board recognizes that it is essential for the Fund to continue efforts to create an open, trusting environment and culture that are conducive for staff to freely express views, especially dissenting positions. In concluding its review of the Investigation of the World Bank’s Doing Business 2018 report on October 11, 2021, the Executive Board noted that while it had “confidence in the IMF’s robust and effective channels for complaint, dissent, and accountability,” it would at the same time consider “possible additional steps to ensure the strength of institutional safeguards.”²⁴

38. In view of this stated objective of considering possible steps to ensure the strength of institutional safeguards, the Panel’s evaluation of the DRS will complement the work and findings of the SWG IG/SV and will focus on areas for improvement.

²² At paragraph 22.

²³ At paragraph 23.

²⁴ Terms of Reference, Annex to Appendix I, at para. 5.

The Panel finds that there are issues that significantly inhibit the effectiveness of the DRS.

39. While staff are proud to be affiliated with the Fund and are passionate about their work, the Panel identified a number of serious issues based on the results of the Pulse Survey, interviews with various stakeholders and a review of disciplinary actions taken (or not taken) as a result of the OII investigations. A pervasive theme was the lack of dialogue and overly hierarchical culture at the Fund, which discouraged staff from using the DRS and significantly reduced their confidence in the system. This is confirmed by the findings in previous reviews of the DRS, reflected in the Report of the SWG IG/SV.²⁵ Staff expressed fear and anxiety about raising issues or complaints, and complainants reported that they are often regarded as troublemakers and often suffer retaliation. These views are broadly reflected in the Pulse Survey results and across the range of information gathered by the Panel. Furthermore, stakeholders consider that the DRS procedures are weighted against employees and in favor of the Fund. Staff who used the system often referred to the inequality of arms between staff members who raise complaints without recourse to legal assistance or representation on the one hand, and the extensive resources available to the Fund to defend the cases robustly, on the other. In addition to the chilling effect of the fear of retaliation, and the consequences of retaliation for a staff member's career, staff are skeptical about their chances of success if they use the system. Greater trust in the fairness, efficiency and effectiveness of the DRS would significantly increase the use of the available mechanisms and allay the perception (and often the reality in individual cases) that using the DRS will prejudice the career of the user. Finally, the majority of the stakeholders who engaged with the Panel welcomed the review of the DRS and stated that it was timely, as reforms were perceived to be needed.

In the remainder of this section, the Panel will discuss issues arising in the various component offices of the DRS and related mechanisms and will set out its findings regarding each office.

B. Issues Related to the Informal Process and Procedures

40. Employees of the Fund frequently resolve workplace concerns by seeking information, explanation and guidance from their Peers for a Respectful Workplace, immediate supervisors, managers, officers in HRD as well HRD personnel responsible for HR matters in departments (Strategic HR Partners supported by HR Business Partners) and the Staff Association. In addition to these options, there are two professional independent offices established for the informal resolution of disputes.

1. The Office of the Ombudsperson²⁶

41. The Fund created the Office of the Ombudsperson in 1979. Current and former staff members and contractual employees may consult the Ombudsperson concerning any issue

²⁵ See Chapter III above.

²⁶ For further information about the Office of the Ombudsperson, please see the following hyperlink: [Ombuds Office](#)

related to their employment with the Fund. The Ombudsperson is an independent, informal, neutral and confidential resource who assists in exploring options to resolve problems. As set out in the Terms of Reference for the Ombudsperson, the Ombudsperson has a broad mandate to review employment-related concerns and to assist in their informal resolution. The Ombudsperson clarifies Fund policies and procedures, advises employees of their options, and with the authorization of the employee, may engage with management on their behalf with the objective of resolving issues informally. The Ombudsperson may also facilitate the resolution of disputes by means of conciliation, referrals, mediation, or any other appropriate method, with the primary objective of settling grievances or disagreements and resolving issues informally. The Ombudsperson also coordinates, in collaboration with the Staff Association Committee, the Independent Witness Program (IWP). The IWP provides trained staff members to accompany anyone who wishes to have moral support and a third-party present as a witness at a meeting with managers, including an Annual Performance Review discussion.

42. The Office of the Ombudsperson is a versatile resource in the resolution of disputes and is generally regarded by staff as a well-functioning part of the Fund's DRS. However, the Panel identified several concerns. One is that staff working in the Executive Directors' Offices are excluded from the Terms of Reference of the Ombudsperson and therefore do not have access to the services of the Office. The Panel also understands that recommendations made by the Ombudsperson are not always adopted by Management, often without explanation for the failure to act. Like the other Heads of DRS Offices, the Ombudsperson is a contractual employee of the Fund. The Fund is an outlier in this regard when compared with the terms of employment for Ombudspersons in other international organizations.²⁷ The utility of the Office of the Ombudsperson would be further enhanced by more direct and regular contact with the MD and the Executive Board, to highlight systemic sources of conflict and seek needed changes to policies, procedures, and training. In addition, while the Ombudsperson is not expressly mandated to deal with cases of undue influence that arise at the Fund, the Panel considers that such issues can be addressed by the Ombudsperson as they arise out of a staff member's employment at the Fund. The flexibility and confidentiality of the work of the Ombudsperson make the office suitable for addressing this or any other workplace issue. Accordingly, the Panel is of the view that the organization should strengthen this office and enhance its role and status.

²⁷ Following a review of DRS terms of employment in 2021, management has approved the provision of staff-like benefits (including relocation benefits, education allowance, expatriate allowance, spouse and child allowance, Medical Benefits Plan coverage, annual and sick leave, and short-term disability insurance) for future Ombudspersons. However, these reforms have not been implemented. The existing Heads of DRS Offices should be given the choice of whether they prefer to keep their current contractual status or if the new changes should be implemented in their own situations.

2. The Office of the Mediator²⁸

43. The Office of the Mediator was created in 2012 to provide an additional channel for the informal resolution of disputes. As set out in the Terms of Reference for the Mediator, a current or former staff member or contractual employee, whether at Headquarters or in the overseas offices may elect to go to mediation or to request facilitation, which is a and confidential form of dispute resolution where the individuals or groups involved in a conflict work together with the Mediator to find a mutually acceptable and voluntary resolution. If the participants do not all voluntarily agree to mediate or if the participants do not reach an agreement in mediation, the aggrieved party may proceed to the other dispute resolution options at the Fund, so long as the applicable time limits are met. The Mediator is also neutral and independent. The Office of the Mediator also coordinates the Peers for a Respectful Workplace program which provides an informal and confidential source of assistance for all employees with workplace concerns or who seek information about the DRS.

44. The Office of the Mediator is generally well-regarded by users of the DRS. The Panel identified the following concerns. First, mediation is entirely voluntary, and currently, no party to a dispute is required to attend or participate if another party requests it. Current Fund policy does not require managers or supervisors to participate in mediation. This limits the number of cases reaching early resolution. Furthermore, the current Mediator's terms of employment are, as described in respect of the Ombudsperson, also limited to those that the Fund provides to contractual employees. The Mediator's role should also be strengthened and empowered by providing additional resources and access to the Executive Board.

C. Issues Related to the Formal Processes and Procedures

3. Administrative Review²⁹

45. A staff member can contest a decision made by a manager that has an impact on their work or career in the Fund, or on their benefits, by asking for it to be reviewed by an authority higher than the official who made the decision. The purpose of the review is to determine whether the original decision was made in accordance with the rules, regulations, and procedures of the Fund, and to amend, or completely rescind, the original decision if it is found to have violated the Fund's rules, regulations, and procedures. Administrative Review is required before a claim can be submitted to the Grievance Committee and the Administrative Tribunal (review is also

²⁸ For further information about the Office of the Mediator, please see the following hyperlink: [Welcome to the Mediation Office \(imf.org\)](http://www.imf.org/external/mediation/)

²⁹ For further information about Administrative Review, please see the following two hyperlinks: [Administrative Review](http://www.intranet.imf.org/departments/HumanResources/Programs/WorkEnvironment/Pages/Administrative-Review_Staff.aspx)
http://www.intranet.imf.org/departments/HumanResources/Programs/WorkEnvironment/Pages/Administrative-Review_Staff.aspx

required before a contractual employee may submit a claim to the arbitrator). Following an administrative review decision by the Director HRD (or if the Director's administrative review decision is not delivered within 45 days), the staff member may proceed to challenge the decision (either of the original manager or the benefit administrator) before the Grievance Committee.

46. There are two levels of administrative review. The first is review by the staff member's Department Head or, in the case of a decisions relating to benefits, by the Division Chief responsible for administering the benefit (usually the Division Chief of HRD's Employment Compensation and Benefits Division or the Administrative Expenditures and Control Division at the Finance Department). Requests for review of decisions taken by the staff member's Department Head may be submitted directly to the Director of HRD. If a staff member is not satisfied with the outcome of the first level of administrative review, a second-level administrative review request may be made to the Director of HRD. The Director of HRD is assisted by a small team of lawyers and human resources specialists working within HRD's Employment Practices Team. The role of the team is to review the requests from a legal perspective but also to prevent employment disputes and to resolve disputes amicably at the lowest level. The Employment Practices Team also advises the Director of HRD on the processing and disposition of misconduct cases, as well as undertaking substantial programmatic activities including biannual updates to the Staff Handbook, the administration of complex separations (such as mandatory and medical separations), the annual Financial Disclosure Program for senior staff, and the Managers Community of Practice; and it provides advice to HRD managers and HR Teams on a wide range of other issues including policy interpretation, dispute prevention, informal dispute resolution, management of and support for underperforming employees, and cases of staff or dependents suffering domestic abuse.

47. The principal issue identified by the Panel, which was acknowledged by HRD and is confirmed in the Annual Reports on Administrative Review,³⁰ is that responses to requests for administrative review are, in the majority of cases, provided well outside the statutory deadline of 45 days from the date the request is submitted (for cases reviewed by the Director, HRD).³¹ The average period for review of such cases was 47 days in 2016, 104 days in 2017, and 106 days in 2018, and the longest periods for review of a case in each of those years was 79 days, 282 days and 173 days respectively. This inordinately long period leaves those requesting administrative review not knowing when (or whether) they will receive a response to their requests and reduces the willingness of many employees to seek redress through the Administrative Review process. The Panel learned of one instance in which a response to a request for administrative review took almost two years, and of other instances in which no responses were received. Such delays, or lack of response, is contrary to well-established jurisprudence in international

³⁰ See, e.g., 2017/2018 The Annual Report on Administrative Review, p. 5. See also the Report of the SWG IG/SV, at paras. 11, 16. Feedback on the draft from HRD indicated that the review period is affected by the availability of staff with relevant knowledge (delays may occur, e.g., because a staff member is on mission or on annual leave) as well as the number of cases received at or around the same time. Staff requesting review sometimes also request additional time to provide relevant background information. However, HRD acknowledges that by far the principal factor in delays in recent years has been resource constraints in the face of an increased number of review requests and increased complexity of those requests.

³¹ GAO 11, Chapter 11.03, Section 4.6. (unless the staff member consents to an extension of time; id., section 4.8).

administrative law.³² As mentioned earlier, organizational culture can be inferred or characterized through an examination of the organization's behaviors or lack thereof. These delays indicate a culture which fails to prioritize informal problem-solving and access to redress through HRD, even though this problem was highlighted in the external review conducted in 2013. A staff member's right of access to the Grievance Committee and the Administrative Tribunal is strictly conditional on the exhaustion of all internal review or appeals procedures by that staff member, although it is important to note that they are considered exhausted under the Fund's rules if an administrative review decision is not received from the Director, HRD within the prescribed 45-days. A staff member may be forced to proceed to the Grievance Committee even though she or he would rather have the matter resolved at the administrative review stage. Again, this leaves the impression of a de facto preference for formal, lengthy, adversarial disputing in the culture of the Fund.

48. The delays in the later years were caused by a substantial increase in the number of requests filed, which in turn could be attributed to the success of efforts by the Fund to raise awareness about the DRS. If this is the case, there is a clear need for additional resources for this important part of the DRS. Raising awareness and encouraging staff to use the DRS without providing the resources to manage such increased use undermines the credibility and effectiveness of the system. The Panel is aware that two short-term employees have been brought in to address this situation, but these are contractual staff, again suggesting that sufficient priority (in the form of long-term staffing resources) has not been accorded to resolving this situation.³³ In addition, the staff working on administrative review requests should be allowed to focus on the increased caseload and not on other HR responsibilities. Delays, or the lack of a response, frustrate the efforts of a staff member seeking to resolve a dispute through the formal means set out by the organization, leading to a lack of confidence in the dispute resolution system. While this may seem like an overall increase in the financial resources needed to resolve disputes early, it is likely there will be cost savings by avoiding the enormous resources required to take a case through the Grievance Committee and Administrative Tribunal process when earlier resolution might have been possible.

49. The annual reports on the administrative review process are an important feature of the system as they promote transparency by increasing understanding of the operation of the system. However, the Panel was informed that the annual reports have not been issued for the calendar years 2019–2021. The Fund should prioritize the reinstatement of these annual reports to increase transparency, accountability, and trust in the Administrative Review process.

³² See for example: ILOAT Judgement No. 4184, at consideration 10, Judgement 4037, at consideration 15, Judgement No. 3336, at consideration 6 and Judgement No. 3733, at consideration 5.

³³ Statistics provided to the Panel show that between 2017 and 2021, the majority of administrative review cases were determined wholly or substantially against the individual staff member. For example, in 2017–18, 32 percent and 50 percent respectively of first level administrative review requests were granted. In the same years, 27 percent and 0 percent of the second level administrative review decisions issued granted the employee's request, although in two additional cases in both years an agreed informal resolution was reached. This low success rate, when taken together with the inordinate delays, is unlikely to instill confidence in the administrative review process.

4. Grievance Committee³⁴

50. A staff member who is not satisfied with the outcome of Administrative Review may present their grievance to the Grievance Committee, which was established in 1981. The parties to the case file written pleadings before the Grievance Committee, which typically also conducts oral hearings, which involve the presentation of evidence through witnesses and documentary exhibits. Both the Fund and the grievant are given the opportunity to present such evidence and to make arguments in support of their positions. The proceedings of the Grievance Committee are strictly confidential. The Grievance Committee will review the contested decision and will determine whether it was consistent with applicable Fund rules, regulations and procedures and does not represent an abuse of discretion.³⁵ The Committee issues recommendations, in writing, to the Managing Director on the issues presented in each case for a final decision.

51. The Grievance Committee is staffed by an external Chair (who is appointed by the Managing Director after consultation with the Staff Association Committee) and two other members from the staff of the Fund (a SAC appointee and a Management appointee), and one administrative assistant.

52. One of the concerns expressed to the Panel by a number of staff was the perceived familiarity between the Grievance Committee and LEG, which some grievants said gave the impression of an unfavorable power dynamic as a result of which they would not receive a fair and impartial hearing. The Panel acknowledges that the Chair of the Grievance Committee is likely to work near and with the LEG team in the course of his/her duties, care must be taken to maintain both the appearance and reality of impartiality, without which complainants are likely to lose trust in the process. Another common complaint was that the Committee did not recommend financial remedies that were perceived to be adequate by the complainants, including legal fees, when staff were successful in their grievances, even when the jurisprudence of the Administrative Tribunal provided for such awards. Some stakeholders questioned the Grievance Committee's reading of its power to decide what was an appropriate remedy to recommend to Management, and stated that in some cases such a reading was contrary to the jurisprudence of the Administrative Tribunal.³⁶ A number of stakeholders also considered that many elements of the Committee's process were drawn more from the employment law of the United States rather than international administrative law. This, the stakeholders complained, raises suspicions that the Fund, as a "repeat player" before the Committee, could have an inordinate amount of influence on the work of the Committee.

53. A number of stakeholders stated that, given the important role played by the Grievance Committee in the formal part of the DRS, it was regrettable that the Committee's recommendations have not been published since 2018. The stakeholders complained that this means that the Committee's prior jurisprudence was not available to staff for their information. It

³⁴ For further information about the Grievance Committee, please see the following hyperlink: [About the Grievance Committee \(imf.org\)](https://www.imf.org/external/np/ops/grievance/)

³⁵ See section 5.10, Chapter 11.03 of the Staff Handbook.

³⁶ See, e.g., Ms. "NN" v. *International Monetary Fund* Judgement No. 2017-2, 11 December 2017, at paras 120-123.

also put them at a disadvantage in preparing their own cases as the Committee's precedents were not available to them (unlike the Fund, which has access to all the precedents). It led some stakeholders to question whether the Committee consistently followed its own precedents in subsequent cases, even where the facts were identical. Stakeholders also expressed the difficulties they faced in keeping track of cases that had been ruled upon by the Committee that were subsequently before the Administrative Tribunal until such time as the Tribunal were to deliver its decision, years later. The Grievance Committee, like all other offices and mechanisms in the DRS must take care to follow its own rules to ensure transparency and trust in the DRS. Failure to do so could be seen as a reflection of the Fund's organizational culture and habits around disputing which makes it unnecessarily difficult for employees at all levels to successfully navigate the DRS.

54. A principal concern regarding the Grievance Committee relates to the length of time it takes the Committee to rule on a case. The Grievance Committee process takes an average of 428 days to complete, which is the longest period of all the offices in the DRS.³⁷ This is due in part to the essentially judicial role performed by the Committee. Factors contributing to the length of the proceedings include the fact that the parties may request extensions of deadlines in the course of the process; the need to interview witnesses; the unusually elaborate process of discovery, which is rare in international organizations; and the availability of staff to serve on the Committee, considering that they continue to do their regular work as staff of the Fund while serving as members of the Committee. The Panel's benchmarking indicates that the length of time it takes to go through the Grievance Committee is unduly lengthy for the peer review/internal appeal stage of the formal dispute settlement mechanisms of international organizations. It was remarked that timely resolution should be the main priority.

55. The Panel considers that, as a minimum, the overall objectives of fairness and efficiency would be better achieved by making the Grievance Committee process less "judicial" and quicker. The Fund should consider setting limits on the length of pleadings and other submissions of the parties, reducing the period for the filing of pleadings and other submissions, reducing the extent of the elaborate discovery process, and reducing the length of the Committee's recommendations. Failure to meet required timelines should result in an adverse inference being drawn to the benefit of the complainant.

56. More fundamentally, the Fund should reconsider the role played by the Grievance Committee process within the DRS so that it can function as a "true" peer review process, with equity being a core consideration. The Grievance Committee was established before the Administrative Tribunal, to provide staff with a formal forum for the resolution of disputes. The principal feature of the process has however always been a review by peers to provide a recommendation to assist Management in reaching a decision in each case. While the Grievance Committee is not a judicial body and makes recommendations rather than binding decisions, its process has expanded gradually and consistently over time to a point at which it has become more elaborate and time-consuming than those of many judicial bodies. While Management accepts the recommendation of the Grievance Committee in virtually every case, it may be questioned whether

³⁷ See the Report of the SWG IG/SV, at paras. 11, 16.

this process remains the most efficient way for the management of the Fund to receive advice as to how to dispose of any given case, or whether there are other models that are less time-consuming that may serve the required purpose.³⁸

5. Administrative Tribunal³⁹

57. Established in 1994, the IMF Administrative Tribunal is the ultimate dispute resolution body where staff may challenge administrative decisions affecting their conditions of employment. The Tribunal is composed of five external judges who provide an independent judicial forum for the resolution of employment related disputes. A staff member must exhaust all available channels of formal review (Administrative Review and the Grievance Committee) before they have standing to bring an appeal before the Tribunal. If the challenge is to a regulatory decision, the staff member may appeal directly to the Tribunal. All decisions of the Tribunal are final and binding on both parties. The Tribunal's judgments are published on its public website with the name of the staff member anonymized if they can show good cause for protecting their identity.

58. Contractual employees do not have access to the Grievance Committee or the Administrative Tribunal. Instead, the Fund has established a system of final and binding arbitration for cases filed by contractual employees, with such cases being heard by a sole arbitrator. The Panel notes that other organizations do not distinguish between staff and contractual employees for the purposes of the jurisdiction of the Tribunal; there does not appear to be any reason in principle why all employees who wish to challenge a decision regarding their employment should not have access to the same process for doing so.

59. The Registry of the Administrative Tribunal consists of two employees, a full-time Registrar and a part-time assistant, who are both contractual employees, on renewable contracts. These are long-term roles, which are essential for the proper and continued functioning of the Tribunal in the execution of its mandate.

60. The issue raised with the Administrative Tribunal is the length of time it takes for the Tribunal to issue judgments. It is to be expected that a full judicial process will take time, bearing in mind that the parties often request extensions of filing deadlines, and that the parties are free to submit their pleadings ahead of the deadlines as that would allow the Tribunal to commence its deliberations earlier, which would presumably lead to earlier judgments. The Panel also notes that the Tribunal has convened oral proceedings more often in recent years, which is welcome and often increases the time it takes for judgment to be issued in a case. However, in view of the caseload of the Tribunal (1-3 cases per year on average),⁴⁰ the Panel considers that the average period of

³⁸ The Grievance Committee also serves the purpose of generating a factual record which assists management in making a decision based on the Committee's recommendation. However, the Panel found no basis for the suggestion that processes that prioritize true peer-review (such as the World Bank's process and the OECD's process) have been lacking regarding the establishment of a factual record to enable a final decision to be made.

³⁹ For further information about the Tribunal, please see the following hyperlink: [IMF Administrative Tribunal - Home Page](#)

⁴⁰ SWG IG/SV, paragraph 16.

approximately 296 days between the submission of the final pleading by the parties and the rendering of a judgment is unduly lengthy. The Tribunal should take steps to ensure that it reduces the length of time it takes to dispose of cases.

D. Issues Related to the Ethics and Integrity Services

6. The Ethics Office⁴¹

61. Established in 2000, the Ethics Office provides independent ethics advice to the Fund and its staff and promotes ethical awareness through outreach and training. It assists the Fund in upholding high ethical standards of conduct and maintaining its reputation for integrity, respect, impartiality, and honesty. The office is headed by the Ethics Advisor who reports directly to the Managing Director.

62. Following the changes to the terms of employment in the DRS offices approved by management in February 2021, the Ethics Advisor newly appointed in January 2022 receives staff-like benefits including expatriate allowances. As is the case in the other DRS offices, employees in the Ethics Office are now eligible for a staff appointment following the Fund's standard selection procedures for such appointments but are currently "contractual employees" rather than staff on renewable fixed-term or open-ended contracts. While the Fund amended its DRS employment framework in early 2021 to allow for DRS employees to be recruited on staff contracts, their current contracts do not provide benefits that regular staff are entitled to, including expatriate allowance and access to the Staff Retirement Plan (pension benefits are limited to the Voluntary Savings Plan to which the Fund makes a 5% contribution). The Panel's benchmarking exercise shows that the Fund was quite unique in formerly using this universal contractual approach almost exclusively for its DRS offices. This practice places these employees whose functions are needed in the long-term in a precarious situation, compared to other staff and speaks to a culture which does not give adequate priority to dispute resolution when compared to benchmarked organizations.

63. The important work performed by the Ethics Office should be further highlighted by having its annual report presented to and discussed with the Executive Board. This presentation and discussion should be followed by a management response, which in turn should be the subject of further follow-up by the Executive Board.

7. The Office of Internal Investigations⁴²

64. The Office of Internal Investigations (OII) was established in 2016 and is mandated to undertake preliminary inquiries and administrative investigations into alleged misconduct involving Fund staff members and contractual employees. These investigations can be at the

⁴¹ For further information about the Ethics Office, please see the following hyperlink: [Ethics Office](#)

⁴² For further information about OII, please see the following hyperlink: [OII Home \(imf.org\)](#)

request of the Managing Director, the Director of HRD, OIA, a staff member or at the discretion of the Internal Investigator (the head of OII). OII also conducts investigations on basis of reports received through the Integrity Hotline which is similar to a whistleblower hotline administered by an independent company outside the IMF for receiving anonymous and confidential allegations of misconduct or other concerns from staff or members of the public, under oversight of an Integrity Hotline Oversight Committee. Prior to the establishment of OII, the investigative functions at the Fund were performed by the Ethics Office. The preliminary inquiries and subsequent investigations are all conducted independently, without interference from any other official or Office within the Fund. However, pursuant to GAO 11, Chapter 11.02, Section 4.3, OII must request authorization from the Managing Director or the Director HRD to undertake a full investigation. All investigations guarantee due process to all parties involved and are governed by the principles of integrity, professionalism, fairness, impartiality, and objectivity. The Panel notes that OII does not have a Terms of Reference setting its mandate.

65. As in most of the other DRS offices, OII staff are not entitled to the same benefits to which regular staff are entitled and can only be hired and re-hired for a lifetime maximum of 4 years. For OII, given its mandate, that restriction has been waived, so staff can be extended indefinitely but they still do not receive the same level of benefits/status as other regular Fund employees, which in principle is not aligned with other comparable institutions or other internal oversight offices within other international financial institutions or the UN system. The Head of the Office has a contract for a maximum of seven years (2 years initially, renewable for 5 additional years. As mentioned above, the 2021 changes designed to convert some of these office leaders and staff to fully benefited positions, were authorized but do not resolve the issue for current OII employees (or Ombudsperson, Mediator, etc.), due to the reliance on attrition for implementation of the said changes.

66. Regarding the requirement that OII seek authorization from the Managing Director or the Director of HRD to commence an investigation, the evidence presented to the Panel shows that Management has never declined a request to undertake a full investigation, and that the authorization is usually provided promptly. However, the Panel considers that, as a matter of principle, OII, as an independent office, should have the authority to decide to undertake investigations and should not have to seek authorization. This change would contribute to greater trust in the DRS, as it is impossible to know the approach that will be taken by future leaders. Removing the requirement for approval enhances the ability of the DRS to maintain the appearance and reality of independence and efficiency.

67. The Panel heard from several staff it interviewed, that the process of investigations, particularly preliminary inquiries, can take an inordinately long time, which could leave staff to work in awkward, abusive, or hostile environments for an extended period. The Annual Reports of OII for the years 2016 to 2020 show that harassment formed the largest number of complaints, with 84 claims made. It is well settled jurisprudence that an organization has an obligation to investigate, as quickly and as efficiently as possible, allegations of harassment to

protect staff members from unnecessary suffering.⁴³ Some of the staff interviewed by the Panel alleged that in some cases witnesses who could corroborate the allegations had not been interviewed several months into the investigation process, and that written evidence that supported the staff members' claims had not been used to move the investigation process along. Another concern raised was that there was a lack of regular communication between OII and affected staff members, while the investigations were ongoing, and when such communications took place, the information appeared to be scant. For the DRS to function efficiently, it will be necessary to provide the various offices, including the OII, with sufficient resources to meet expected timelines and communicate transparently.

68. Regarding retaliation claims,⁴⁴ the Fund amended its retaliation policy in February 2019.⁴⁵ The new policy reinforces existing mechanisms for addressing claims of retaliation and for implementing corrective action if retaliation has occurred (as well as interim corrective action pending the outcome of the process). First, the new policy establishes a process for an independent and expedited review ("Independent Review") by OII of retaliation complaints to be completed within 45 days, provided that such claims are submitted within six months of the alleged retaliatory act. Second, the standard of proof in the Independent Review process is that OII must consider whether there is clear and convincing evidence that the same adverse action would have been taken, for separate and legitimate reasons, even in the absence of the complainant's protected activity. If there is no clear and convincing evidence to support such a finding, OII will conclude that retaliation has occurred.

69. The Independent Review process is a welcome step, as it is intended to enable the Fund to take quick action to correct the effect of retaliatory actions. However, retaliation involves the retaliator(s) and a victim who is the victim of retaliation. The Independent Review process addresses only the effects of retaliation, as it is aimed solely at corrective action against the effects of retaliatory act. It does not, and was not designed to, address the conduct of the retaliator. This strikes the Panel as counterintuitive. For example, if OII undertakes an Independent Review and concludes that retaliation has occurred, corrective measures are taken by the Fund, but no individual responsibility is thereby established.⁴⁶ In order to establish individual responsibility for retaliation, which is a fundamental part of addressing the problem of retaliation, a separate process must be initiated. Under the rules applicable in that separate process, the investigator must find, on the preponderance of the evidence,⁴⁷ a causal link between the retaliatory motive alleged and the contested adverse decisions.

⁴³ See ILOAT Judgement No. 4243, at consideration 21.

⁴⁴ See paragraph 15 of this Report.

⁴⁵ See GAO 11, Annex 11.01.6

⁴⁶ GAO 11, Annex 11.01.6, Section 4.1 (Independent Review under the new policy "is separate from any related misconduct investigations that may follow to establish personal accountability; such investigations will be handled in accordance with the usual rules and procedures as set out in "Chapter 11.02: Misconduct and Disciplinary Procedures", and not under the new policy).

⁴⁷ GAO 11, Chapter 11.02: Misconduct and Disciplinary Procedures, Section 5.9.

70. It is well-known that it is extremely difficult to establish individual responsibility for misconduct under this standard, which applies to investigations of retaliation outside the Independent Review process. This is borne out by an examination of the retaliation inquiries or investigations undertaken since 2019, in which no misconduct was found, even in cases requiring up to 200 days of investigation. While the circumstances of each case are different, the consistency in the outcome of these cases clearly suggests virtually insurmountable challenges for establishing individual responsibility and accountability for retaliation as misconduct.

71. The main rationale for this separation between protection of the victim and the responsibility of the wrongdoer under the Fund's rules is that the Independent Review process is not designed to establish individual responsibility; it is only intended to determine whether retaliation occurred, and the standard applied to that latter objective is not considered sufficient to protect the due process rights of an alleged wrongdoer. The Independent Review is aimed at protecting a potential victim of retaliation because unless OII finds "clear and convincing evidence" that the decision would have been made regardless of the protected activity, OII will conclude that it was retaliatory and will take corrective action. This presumes retaliation unless there is evidence to the contrary. By contrast, in a misconduct investigation which is aimed at establishing individual responsibility (rather than protecting a potential victim by taking corrective action), the applicable standard of proof is retaliation must be proven by "a preponderance of the evidence", maintaining the presumption of innocence of the alleged retaliator. If the Independent Review standard of proof was used in a misconduct investigation, it would be akin to presuming guilt unless proven otherwise to a high standard of probability.

72. The Panel lauds the objective of the Independent Review process, which is to allow corrective measures to be taken quickly for the benefit of the alleged victim. But it is crucial to focus equally on individual accountability. Disembodied findings of retaliation which lead to corrective action but are unrelated to the individual responsibility of the retaliator fall short if the objective is to address and prevent retaliation by holding retaliators accountable. A focus on individual responsibility is critical to address the longstanding organizational culture of fear of retaliation which inhibits the use of the DRS by employees at all levels.

73. The Panel considers that the rules for addressing retaliation should be amended further to strengthen the objective of accountability for retaliation. At the very least, the rules should be amended to make it explicit that, where the Independent Review concludes that retaliation has occurred, a full misconduct investigation should follow automatically, without the need for OII to seek authorization from the Managing Director or the HRD Director for such an investigation. The conclusion reached by the Independent Review process that retaliation has occurred should obviate the need for an additional preliminary enquiry. In addition, again in cases in which the Independent Review process concludes that retaliation has occurred, the Fund should also consider amending the rules to ensure that there is a consequence (short of finding that they engaged in misconduct) for employees whose actions were deemed to be retaliatory and were reversed as corrective actions. It could, for example, be noted in those employees' performance

evaluations. Finally, the Panel learned during its review that there was some confusion among stakeholders regarding the rules applicable to retaliation. There should be a concerted effort to explain the rules and processes applicable to retaliation to all stakeholders. The Panel's recommendations will address these issues, with a view demonstrating the Fund's commitment to tackling retaliation.

74. Under the Fund's rules, a written report of the investigation is shared with the subject of the investigation only, but not the complainant, either after a preliminary inquiry or a full investigation. This could leave the complainant in a difficult position if the complainant is dissatisfied and wishes to challenge the outcome of the investigation. The Panel's benchmarking demonstrates that practice is split on this topic, and that this matter is under review in a number of organizations. A principal concern is the need to respect the confidentiality concerns of witnesses who testified during the investigation on assurances of confidentiality. The Panel considers that an appropriately redacted copy of the investigation should be made available to the complainant, who would also be under an obligation to respect the confidentiality of the investigation and the witnesses.

75. The Fund's rules on investigations of misconduct provide for Department Heads at the Fund to initiate investigations. The Panel understands that Department-level investigations are rarely used, and that when they are used, it is to address "low-level misconduct"; the Staff Handbook permits Department-level investigations if the misconduct would not warrant a disciplinary measure exceeding a written reprimand. This is seen as an efficient way to address minor misconduct (e.g., an unauthorized social media post about a political matter), and Department-level investigations are a way to free up the resources of OII to focus on more serious misconduct allegations. In the view of the Panel, investigations should be centralized to make it easier to ensure consistency in the exercise of the investigative function across the Fund. The Panel considers that OII, in view of its important role should be empowered and provided with adequate resources to conduct all investigations in the organization.

76. In one instance, the Panel heard that OII's preliminary inquiry found that the actions it examined amounted to what a reasonable person would consider to be misconduct, but that because the Fund did not have a written policy dealing with the specific conduct at issue, OII did not consider a full investigation appropriate. The Panel notes that while the Fund may not have a specific policy on every type of potential misconduct, that does not exempt the Fund from taking appropriate action against a staff member who violated general ethical standards under the Fund's Code of Conduct.

77. Lastly, after a review of the Pulse Survey, HRD and OII disciplinary recommendations and actions⁴⁸, and interviews with staff and DRS leaders, the Panel concludes that many people at the Fund believe that when wrongdoing is found (e.g. harassment, retaliation, misuse of resources, discrimination, etc.) there is insufficient consequences in the form of

⁴⁸ This information is also available in the annual reports of OII.

disciplinary actions. Part of this perception likely stems from the desire to ensure the confidentiality of disciplinary decisions. However, since the outcomes of OII inquiries are generally not shared and the disciplinary actions, if any, are also not shared, this leads many staff to believe there is a culture of impunity at the Fund, especially for higher level supervisors and managers.⁴⁹ Therefore, the Panel recommends greater transparency in these matters, especially when the OII investigation substantiates the allegation. Sharing the allegations made via regularly updated intranet data, the actual timeline for each inquiry, the outcome of the inquiry (e.g. substantiated whole, in part or unsubstantiated), the recommended consequence, and the actual consequence, will improve the organizational culture around accountability, build trust in the DRS, and hold the Fund accountable for taking action which can withstand scrutiny.

E. Procedures Related to the Managing Director and the Executive Board of Directors

8. Framework Applicable to the Managing Director and the Executive Board

78. As stated in the Panel's Terms of Reference, and as recognized in the Report of the SWG IG/SV,⁵⁰ the dispute resolution mechanisms applicable to the Managing Director and the Members of the Executive Board are not well defined outside of the ethics framework.⁵¹ Also, Advisors and Assistants in Offices of the Executive Directors (OED) have standing to challenge matters affecting the terms of their employment before the Administrative Tribunal. However, they do not currently have access to other parts of the DRS. Review of requests for exceptions to policy in special and unusual circumstances is undertaken by the Executive Board's Committee on Administrative Matters, rather than HRD (although that Committee normally seeks input on the issues raised from HRD). The terms of reference for the Ombudsperson specifically precludes access by Executive Directors, Alternate Executive Directors, and OED Advisors or Assistants since they are "not staff members and are appointed by and serve at the discretion of Executive Directors". The Panel considers that every employee of the Fund, regardless of status, should have access to the full benefits of a framework to regulate their rights and obligations as employees.

Code of Conduct for Members of the Executive Board

79. Members of the Executive Board are bound to comply with the IMF's Code of Conduct for Members of the Executive Board, while the Managing Director is obligated to comply with the ethical obligations applicable to staff, as modified by the terms and conditions of the Managing Director's appointment. However, this, as well as the specific rules which pertain to the Managing Director's functions as the head of the organization, should be communicated more clearly to staff. The Ethics Committee also serves to support and oversee the ethical conduct of the Managing Director, Executive Directors, Alternate Executive Directors, and other Executive Board

⁴⁹ See GAO 11, Chapter 11.02: Misconduct and Disciplinary Procedures, Section 3.1, 6.1.

⁵⁰ Appendix II, paragraph 6.

⁵¹ Terms of Reference, Appendix I, paragraph 4.

Officials. The Ethics Committee is composed of a Chairperson, four Executive Directors and five alternate Executive Directors. The Ethics Committee offers guidance to such officials on their ethical obligations and oversees the financial disclosure program for members of the Executive Board. The Ethics Committee will consider any allegations of misconduct relating to persons under their purview, which may be brought to them directly, through a Fund official, the Ethics Advisor, OII, or the Fund's Integrity Hotline. The Ethics Committee may initiate investigations and may recommend appropriate action to be taken in the event they conclude that has occurred.

80. The Panel notes that other institutions have an external oversight committee or an ethics committee consisting of former members of the top decision-making body.⁵² The Panel considers that the independence of the Ethics Committee would be underscored by including in its membership persons who are not members of the Executive Board, but who have a high standing in ethics matters and are familiar with the Fund's work. The Panel also notes that there may be cases in which conflicts of interest may arise for the staff of the Fund who serve the Ethics Committee. Such staff should not provide such services to the Ethics Committee in such cases.

81. The results of the Staff Survey and the interviews conducted by the Panel indicate that staff perceive the procedures and rules relating to the Managing Director and Executive Board as being less strict than the rules that apply to Staff Members. The procedures for investigating and sanctioning the Managing Director and members of the Executive Board should be clarified, strengthened, and made much easier to find, to provide an accountability mechanism for the Managing Director and members of the Executive Board. The Panel's benchmarking exercise indicates that the rules applicable to the conduct of the head of the institution are stricter than the rules applicable to the code of conduct for staff members in some of the comparator institutions that the Panel would consider to meet best practice standards in this regard.

82. To that end, the Fund should review rules governing the Managing Director and the Executive Board, adjust them where necessary to account for the leadership role of the Managing Director and the Executive Board and for the higher potential reputational damage in their cases. This means making the rules applicable to them stricter than those applicable to staff, in line with the best practice in this regard of the European Central Bank (ECB) and the Deutsche Bundesbank. Due consideration should also be given to the fact that the public attention to possible conflicts of interest has been continuously heightened over the last years as the discussion on the financial transactions of Senior Officials of some Central Banks has highlighted. Thus, it is important to anticipate these developments in the design of any new rules. Furthermore, the Panel recommends leading by example with respect to transparency and proposes that the MD as well as the DMDs publish the type of financial assets they hold yearly.⁵³

⁵² See, for example, the practice at the European Central Bank.

⁵³ This is the practice at the ECB or the European Commission.

83. The Panel also notes that the Ethics Committee does not issue an annual report that is made available to staff. In other organizations, the ethics committees issue annual reports to staff, in the spirit of transparency.

84. Regarding the desired culture change in the institution,⁵⁴ visible personal ownership and prioritization of ethics and integrity matters by the MD and the Executive Board is crucial. The Managing Director and the Executive Board should lead culture change efforts across the Fund with strong, visible messaging backed by action. The Fund should design new formats of communication to engage directly with staff on these issues from the top and make a culture of dialogue and integrity a strategic priority. The Fund must walk the talk: unethical conduct (including harassment, bullying, retaliation, fraud, undue pressure) should be penalized consistently and the sanctions taken need to be communicated to staff (for instance through regular anonymized reporting on cases of unethical conduct and the consequences for the wrongdoer).

F. Other Issues

Allegations of Undue Influence and Alleged Violations of Data Integrity

85. Multiple staff members alleged that there was undue influence on them to change the contents of their reports or recommendations sometimes due to political pressure. The Panel notes these are issues that may be expected to give rise to normal workplace disagreements in the course of the Fund's business. However, some staff alleged that they suffered retaliation when they spoke up about the undue pressure placed on them to alter their reports. This means that retaliation can also occur in relation to this category.⁵⁵

The Office of Internal Audit (OIA)⁵⁶

86. While OIA is not part of the DRS, the Panel considers an independent and well-resourced internal audit an important element in ensuring that the DRS works as intended. OIA is regularly involved in the assessment of the implementation of Management's action plans, such as the one that could ensue from this report. Furthermore, reputational, financial and operational risks may arise, for instance, if the staff feels that unethical behavior, wrongdoing or undue political influence cannot be flagged without having to fear retaliation. The Panel considers that it would be beneficial to have more regular discussion about these risks at the Executive Board level, and, for instance, that the Fund evaluates the advantages and drawbacks of the establishment of an Audit Committee of the Executive Board. The Panel is aware that the Fund has an External Audit Committee reporting to the Board of Governors and the relationship to this committee and the division of responsibilities would have to be considered further. The Panel also recommends that

⁵⁴ See Chapters III and V above.

⁵⁵ The Staff Working Group on Data and Analysis and Data Integrity specifically examined the issue of undue political influence in its report.

⁵⁶ For further information about the Office of Internal Audit, please see the following hyperlink: [Office of Internal Audit & Inspection \(imf.org\)](https://www.imf.org/external/audit)

the Fund addresses the shortcomings described in the OIA Audit Report of the Fund's Enterprise Risk Management (ERM) Framework published in 2021, in particular, to strengthen the Office of Risk Management (ORM)'s challenge function in the second line of defense and evaluate how to better monitor implementation of OIA's and IEO's recommendations.

The Office of Budget and Personnel (OBP)

87. The Panel recognizes that OBP is not part of the DRS, yet its decisions ultimately determine the extent to which the recommendations contained herein, or in earlier similar efforts, are implemented fully, partially, or not at all. Budgetary constraints are important factors when deciding how fully to fund the offices which have a role in dispute prevention and resolution at the Fund. The Panel believes that many of our recommendations will shift resources toward earlier dispute resolution, which is less expensive than lengthy, more litigious formal processes. Earlier dispute resolution also allows all parties to resolve problems and get back to their core duties in a more expeditious manner. Additionally, when HRD, OII, the Grievance Committee or other units fail to meet advertised timelines, it reduces the legitimacy and efficacy of the DRS. Budgetary and staffing shortages are often cited as the reasons for these delays, yet most IFIs benchmarked in this effort generally meet their required timelines. This reflects the low budgetary priority given to the timely resolution of disputes at the Fund. The Panel recommends that the budgetary decisions of the Fund support the effective functioning of the dispute resolution processes described herein, with the belief that the overall budgetary impact will be positive in the long run and impactful for the Fund's mission.

VI. THE PANEL'S RECOMMENDATIONS

88. Based on the results of the Pulse Survey, the Panel's findings based on interviews with a range of stakeholders, the Panel's benchmarking exercise and the Panel's review of the various elements of the DRS, the Panel makes the following recommendations to address these concerns and to improve the organizational culture of the Fund.

A. Leadership: Tone from the Top

1. Standards, procedures, and rules that apply to the Managing Director and the Executive Directors should be higher than those set for staff.
2. The Managing Director and the Deputy Managing Directors should publish the type of financial assets they hold yearly, as per the practice at the ECB or the European Commission.
3. The personnel of OED should be granted access to all parts of the DRS System, including the informal mechanisms.
4. The Executive Board should underscore the independence of the Ethics Committee by changing its composition to include a majority of individuals who are not members of the

Executive Board, but who have a high standing in ethics matters and are familiar with the Fund's work, for example, former Governors of the Fund.

5. In cases involving the conduct of the Managing Director, or in other cases in which a potential conflict of interest may arise, the Secretariat of the Ethics Committee should be an external lawyer, rather than staff of the Fund.
6. The Managing Director and the Executive Board should lead culture change efforts across the Fund with strong, visible messaging backed by action, and should make the inculcation of a culture of dialogue and integrity a strategic priority.
7. Unethical conduct should be penalized consistently, and the sanctions imposed for such conduct should be communicated to staff (for instance through regular anonymized reporting on cases of unethical conduct and the consequences for the wrongdoer).

B. Building Trust in the DRS

Retaliation

8. **To further address the persistent reluctance of employees to use the DRS, the Fund should take measures to strengthen its anti-retaliation policy and practice, including the following:**
 - i. The rules on retaliation should be amended to require the alleged wrongdoer to bear the burden of explaining that their action did not have a retaliatory motive, in accordance with the practice in other international organizations and IFIs.
 - ii. Where the Independent Review process concludes that retaliation has occurred, the fact that an employee's actions were determined to be retaliatory should be considered in their performance evaluations, with appropriate consequences attached.
 - iii. The Fund's rules should be amended to require an investigation for individual responsibility in all cases in which Independent Review concludes that retaliation has occurred.
 - iv. Proactive efforts should be invested in communicating this important policy and its operation to all stakeholders in the Fund's DRS.
 - v. Training should be offered to staff and employees about their rights and the available measures of protection from retaliation. All supervisors should be better trained on how to avoid behaviors that could amount to retaliation.
 - vi. The Fund should proactively determine whether interim protective measures are needed for the complainant or witnesses and, with the consent of the potential/alleged victim, to

recommend the urgent implementation of such measures to Management/HRD, without requiring the alleged victim to request such measures.

- vii. The Fund should extend the period for access to Independent Review with special protective standard of proof for retaliation claims to 3 years from the alleged retaliatory act to align it with comparators in other international organizations and to create a more realistic timeframe.
- viii. The Fund should closely monitor, evaluate, and measure the efforts and effectiveness of measures adopted to support a no-retaliation and "speak up" culture by doing more frequent surveys run entirely by external and independent providers to determine the effectiveness of these initiatives.
- ix. Because retaliation can also arise from undue influence or political pressure to change recommendations or reports, safeguards and mechanisms should be developed and strengthened for dealing with allegations of undue influence or political pressure in the DRS mechanisms. This could for example include for a start, broadening the terms of reference of both the Ombudsperson and Mediator to include dealing with such matters informally before a formal mechanism is established. In such cases, interim protections from retaliation should be considered and recommended. The Ethics Advisor and Ombudsperson should consider convening roundtable discussions Fund-wide to develop shared norms around the issue of data analysis and integrity, a speak-up culture on these issues, and to develop a more specific policy for resolving these concerns for those, hopefully few cases, when informal mechanisms prove insufficient.

Transparency and Access to Information

9. Information regarding the outcomes of cases considered by the Executive Board's Ethics Committee should be made available to staff through the publication of annual or other periodic reports, which should be easily accessible on the Fund's Intranet site. The Fund should promptly resume the publication of such information regarding the Administrative Review process and the Grievance Committee, which have not been published for the past few years. The Ethics Advisor should be able to consider complaints of excessively redacted reports and make changes as s/he determines meets ethical principles.

10. All DRS information should be available on one intranet webpage, with links to each individual DRS office, process, etc. The Fund should create a Tool-Kit for Self-Represented employees on the DRS webpage which sets out all aspects of the role of each DRS office, including applicable timelines (both as stated in the rules as well as in practice), percentage distribution of outcomes in each DRS office/process for the past 2 years, and detailed guidance to prepare staff for each step of the formal dispute resolution process. The Fund should adopt the best practice of the UN in this regard and see the sample of their tool kit for self-represented staff. Each relevant office or process (including Administrative Review, OII, Grievance Committee, and the Administrative Tribunal) should post a real-time case "tracker" on a secure intranet page which allows the staff

members concerned to log in, monitor the progress and to view the status update of their case. An intranet page for the DRS should also show the nature of individual complaints filed by staff over the past two to five years, the actual timeline required for the disposition of the matter or inquiry, whether the allegation was substantiated in whole or part, the recommended consequence or decision when the allegation or concern was substantiated, and the action or decision taken with a reasoned explanation for why the recommendation was not followed if the Managing Director chooses not to follow the recommendation made by the relevant office. This data already exists and was reviewed by the Panel. Sharing it will improve transparency, trust and accountability.

Strengthening the DRS Offices and Processes

11. To enhance their independence and ability to perform their functions effectively, the Fund should implement the changes made to the DRS employment framework in early 2021 to allow DRS leaders and employees to elect to be converted to staff positions with full benefits for the remainder of their terms of employment.
12. OII should not require authorization from Management or HRD before investigating cases. Create Terms of Reference for OII.
13. Investigations of allegations of misconduct should be centralized and conducted by OII only-not by the Departments within the Fund.
14. The Heads of the DRS and related offices should have the opportunity to report to the Executive Board on their activities at least once a year, as part of the Executive Board's "general control over staffing matters" under Article XII(4)(a) of the Fund's Articles of Agreement. They should also have the opportunity to meet with the MD as much as needed to discuss pertinent issues, cases as well as systemic issues, in line with the practice in other organizations. These meetings with the MD should not be delegated to the Deputy Managing Directors.
15. OIA should be independent. The requirement to have its work plan approved by management should be abolished. The Fund should establish an "internal" Audit Committee of the Executive Board so that OIA can report directly to them, in line with the practice of Internal Audit Offices in other IFIs.
16. The Fund should strengthen the implementation of the "3 Lines" Model by addressing the shortcomings described in the OIA Audit Report of the Fund's ERM Framework published in 2021. In particular, the Fund should strengthen ORM's challenge function as the second line of defense, both in the core and administrative areas of the Fund and evaluate how to solve OIA's capacity constraints, as well as how to better monitor implementation of OIA's and IEO's recommendations.
17. The Fund should incentivize or prioritize the time required for peer reviewers, witnesses, or others required to process disputes more efficiently through the DRS processes at the Fund (including OII, Grievance Committee, Administrative Tribunal). The Fund should retain oral hearings

at the Grievance Committee or future Peer Review process to ensure fairness and transparency for employees.

Organizational Culture

Many of the aforementioned recommendations impact culture change efforts at the Fund. To avoid redundancy, this section focuses on additional recommendations designed to impact positive culture change in support of a well-functioning DRS.

Managing Director

18. When weighing confidentiality versus transparency on matters of misconduct, err on the side of transparency for substantiated allegations. There should be significant, visible penalties for substantiated wrongdoing, especially for retaliation, harassment, and discrimination which represent important norm violations. Minor penalties such as a letter of reprimand undermine trust by affirming the belief that there is a culture of impunity at the Fund. A peer review panel should recommend consequences for substantiated allegations and draft a response to explain any decisions which run contrary to the recommendations of the peer review panel. The peer review panel should take no longer than 15 days from Oll's finding of a substantiated allegation.
19. There should be visible, strategic and frequent communication of the Managing Director's stance against retaliation, and visible action should be taken when an allegation of retaliation is substantiated. Quiet changes and support for the DRS will not build support as effectively as visible, transparent, decisive action taken against those who have acted improperly.
20. With the help of the Office of Innovation and Change, the Ethics Office and the Ombudsperson, the Managing Director should host roundtable discussions designed to generate buy-in and build shared expectations about how common workplace challenges, such as issues of data analysis and integrity bullying or retaliation, will be managed. The information gathered through this process should inform the adoption of new policies as needed.

Executive Board

21. The Fund's mission and work will occasionally give rise to concerns about the impact of political pressure on data integrity and analysis. To increase trust in the Fund, both internally from staff and externally from the public, it is critical that the Executive Board support efforts to create greater internal consensus and more detailed policies that are used to resolve these concerns when they arise. This report recommends that the Ethics Officer and Ombudsperson engage in roundtable dialogues on these matters. Executive Board members should be active participants in these conversations, then support the resulting policies and norms. Doing so will increase the perception that the Executive Board

and staff at all levels are able to constructively work together as a team and reduce potential perceptions of unproductive divisions between staff and Fund leaders.

22. Hold an internal Executive Board meeting, using external facilitators or the Fund's Ombudsperson or Mediator, to discuss ways in which the Executive Board can visibly and verbally support efforts to increase transparency in matters related to ethics matters at the Executive Board and MD levels. Reach shared understandings of the ways in which the Executive Board will work to improve the Fund's culture. The Executive Board's organizational culture, commitment to accountability and transparency will go a long way to demonstrating a commitment to the highest standard, which is necessary to build trust with staff and stakeholders while protecting the Fund's image.
23. Hold each other accountable to the highest ethical standards, including the expectation that all employees will be treated respectfully and professionally. While formal power over other Executive Board members may be limited, the Executive Board has deep reserves of informal influence which it can harness to hold each other accountable.

HRD and LEG

24. Complainants should not be required to be re-assigned or to take a different position if they do not desire that action. Instead, if allegations of harassment, retaliation, discrimination, or other bad behaviors are substantiated, the alleged perpetrator, rather than the complainant, should bear the weight of any inconvenience or negative career impacts. Individuals who have treated others inappropriately should not be promoted without taking steps (such as ongoing monitoring and skills coaching) to ensure the negative behavior is not repeated. Employees at any level who use and prevail in the DRS process (e.g. Peer Review, Administrative Tribunal, etc.) should receive support from HRD to ensure their careers are not negatively impacted by their use of the DRS. Periodic (e.g. every 3 years), and transparently published review should be undertaken to assess the extent to which HRD, and LEG are protecting and supporting employees who use and prevail through the DRS.
25. Staff who work as peer reviewers, serve as witnesses, or otherwise assist the work of the DRS offices should receive positive acknowledgement in their performance reviews for their contributions.
26. The Fund should reduce litigiousness by creating accountability measures for HRD and LEG and managers for use in performance reviews and promotion decisions. Missed timelines should be reflected on individual performance reviews of the responsible parties.

Supervisors

27. Supervisors should engage in collaborative problem-solving and dialogue on difficult issues such as data analysis and integrity with your team. Conflict comes from unmet/unclear

expectations. Supervisors should discuss difficult topics on an ongoing basis with the goal of building shared expectations to avoid and manage conflicts productively. Facilitation can be requested from the Ombudsperson or Mediator as desired as well as skill-building from the Office of Innovation and Change and HRD.

All Employees

28. Employees should not wait to be rescued from above. They should initiate or request collaborative conversations around organizational culture in your team. When problems and disagreements inevitably arise, employees should sit down with teammate(s) and supervisor(s) as appropriate to brainstorm solutions together. Employees should collaboratively discuss and reach consensus on the shared values which will guide their team's work and interpersonal relationships together, and revisit these values when problems arise to jointly decide how to operationalize them day-to-day.
29. Employees should ask for help and be willing to help and should be bold in asking for help from HRD, the Mediator, and the Ombudsperson. If these efforts fail, employees should be willing to give the DRS a try rather than allow problems to go unresolved. Employees should volunteer to participate in the DRS by serving as an Ethics Ambassador, Peer for a Respectful Workplace and other functions.

Additional Culture Change Recommendations

30. The Fund should launch a Fund-wide Culture Change Program that aims to establish an organizational culture of dialogue and integrity, whilst breaking the silo structure at the Fund and promoting a true "speak up" culture, as well as a DRS system that supports fairness and fosters staff voice and participation creating a better and more productive work environment. This could include the listening sessions and unit-based efforts to reach shared expectations.
31. As part of its Culture Change Program, the Fund should establish an Ethics Ambassadors Program. A point of contact in each department should promote ethics as well as the core values and answer questions/concerns about ethics. This can be the same person as the Peer for a Respectful Workplace or a different individual, as desired. The Ethics Ambassadors will champion a true "speak up" culture across the Fund and can assist in raising awareness of ethics in their departments. The Ethics Office should provide training and support to the Ethics Ambassadors. Please see the Institute of Business Ethics website (www.ibe.org.uk) for further guidance on how to establish the Ethics Ambassadors Program.

C. Earlier, Less Formal, More Collaborative Dispute Resolution

32. The Fund should create an Employee Relations Unit within the HR Department, separate from the team that currently deals with requests for Administrative Review, to enhance

adherence to timelines and early dispute resolution. Several international organizations have adopted this approach.

33. The Fund should require that parties to a dispute first participate in problem-solving conversations facilitated by an Employee Relations Specialist with the parties and/or with the Mediator or the Ombudsperson and the parties to the dispute, subject to the views of the mediator regarding the suitability of the case for mediation.
34. The Fund should provide a transparent learning process regarding the Administrative Tribunal cases. When HRD/LEG defend the Fund all the way to the Administrative Tribunal and lose, they should draft a memo to the Management and the Ethics Committee of the Executive Board outlining lessons learned for the benefit of future cases. More generally, a regular yearly discussion at the Executive Board about all the cases should be scheduled.

D. Fairness and Efficiency

35. The Fund should engage lawyers whose role is to advise and represent staff on all their employment-related matters before the DRS and establish an office within the Fund for this purpose.
36. The first step of the Administrative Review process should be mandatory for benefits disputes, but optional for all other types of Administrative Review matters.
37. Short, enforced timelines (for example, 20 days for performance review disputes) should be put in place for administrative review cases, as well as preliminary assessments and substantive investigations, with consequences to the Fund or its officials for missed timelines. The Grievance Committee and the Administrative Tribunal should consider and heavily weigh the impact of missed timelines by the Fund when making awards.
38. HR, the DRS and related offices must be adequately staffed to enable the offices to meet these timelines and/or internal resources redirected. In the Panel's view, the process of allocating resources to HR and the DRS would benefit from a thorough, objective, and transparent evaluation of resources needed to ensure that they can meet timelines and procedural requirements.
39. The Fund should re-brand and re-cast the current Grievance Committee into a peer review mechanism designed to be faster, including placing greater emphasis on equity, and being a less judicialized process, along the lines of the peer-review processes employed in other benchmarked organizations. This will reduce the length of time taken before a recommendation reaches Management for a decision.
40. Format for Submission: Create a form for filing requests for administrative review and include a section asking specifically for a description of the measures the complainant would like HR to take. This could create yet another opportunity for dialogue between the

staff member and Management to address the matter through informal resolution, where possible. This would also help to memorialize the date of the complaint.

41. The Fund should devote greater efforts to offer a comparable position within the organization to an employee whose employment was wrongfully terminated.
42. All employees of the Fund (including contractual employees) should enjoy the same access to all the DRS and related offices, including the Grievance Committee and the Administrative Tribunal.

E. Follow Up

43. The Panel would welcome the opportunity to join the Executive Board's discussion of this report to further explain its views and recommendations. The Panel believes that Management is well-placed to prepare a specific and monitorable implementation plan of its recommendations. The Panel recommends that the implementation plan be submitted to the Executive Board within three months of the Executive Board's discussion of the Panel's report, and the Panel would be ready to provide comments on the proposed actions. The Office of Internal Audit could prepare an annual report on the progress in implementing the proposed actions.

VII. CONCLUDING REMARKS BY THE PANEL

89. The Panel wishes to commend the Fund's Managing Director and Executive Board for undertaking this important and difficult task with openness and candor. Ensuring a fair, efficient, transparent, and rigorous process for the prevention and early resolution of disputes is critical to meeting the needs of the Fund's employees at all levels, so that they can focus on mission achievement.

90. The Panel deeply appreciates the graciousness and generosity of the dispute resolution experts from peer institutions who shared information and perspectives which allowed us to benchmark the Fund's DRS. We are also grateful to current and former Fund employees who shared their knowledge, experience and time with us to enable us better understand the opportunities and challenges inherent in the current dispute resolution mechanisms. We hope this report provides specific and actionable recommendations which support and empower current and future Fund employees at all levels, and ultimately the Fund's mission. We look forward to the discussion with the Executive Board about the action plan implementing our recommendations.

Appendix I. International Monetary Fund—External Review of the Dispute Resolution System—Terms of Reference

Background

1. The IMF works to foster global monetary cooperation, secure financial stability, provide financing to its member countries, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. It does so by: (i) monitoring the global economy and the economies of member countries (surveillance) to encourage policies that foster economic stability, reduce vulnerability to crises, and raise living standards; (ii) lending to countries (financial assistance) to provide support in correcting balance of payments difficulties; and (iii) giving practical help to members (technical services) to help strengthen capacity to design and implement effective policies. The IMF is governed by a resident Executive Board and accountable to the 190 countries that make up its membership.
2. The IMF, similar to other International Financial Institutions has established internal mechanisms for staff to raise concerns and to resolve disputes. Key mechanisms comprising a Dispute Resolution System (DRS) have been created pursuant to Rule N-15 of the Fund's Rules and Regulations, which calls for "appropriate procedures" to be "established for consideration of complaints and grievances" of staff.
3. The DRS involves multiple, complementary channels that aim to facilitate prevention, reporting, mitigation, and resolution of workplace disputes, including those involving staff voice, and to ensure accountability of individuals and the institution. The system is comprised of three pillars: informal services, formal services, and ethics and integrity.
 - Informal services emphasize resolution of disputes at the earliest and least-formal level. Accordingly, there are multiple channels for staff to seek informal resolution, including managers, HR partners, and Peers for a Respectful Workplace (PRW) staff volunteers. The Ombuds and Mediator are independent, impartial experts who may assist staff to resolve workplace concerns.
 - Formal services offer venues for resolution of issues, including harassment or abuse of authority. Staff and contractual employees may request administrative review of career or benefits decisions and may staff may challenge findings before a Grievance Committee, or ultimately, an Administrative Tribunal.
 - Ethics and integrity services seek to ensure compliance with the Fund's standards of conduct. The Ethics Office provides advice and guidance to managers and employees on ethics and rules of conduct and oversees compliance programs. The Office of Internal Investigations (OII) conducts investigations into allegations of misconduct. The Fund also has an Integrity Hotline, administered by an independent third party, for receiving anonymous and confidential allegations of misconduct or other concerns, including from the public.

4. The dispute resolution mechanisms available to the MD and Board officials in Offices of Executive Directors (OED) are not well defined outside of the ethics framework. OED Advisors and Assistants have standing to challenge matters affecting the terms of their employment before the Administrative Tribunal, but not the informal mechanisms. The Ethics Committee of the Board also supports and oversees the ethical conduct of the Managing Director, Executive Directors, Alternate Executive Directors, and other Board officials.
5. The IMF's Board recognizes that it is essential for the Fund to continue efforts to create an open, trusting environment and culture that are conducive for staff to freely express views, especially dissenting positions. In concluding its review of the Investigation of the World Bank's Doing Business 2018 report on October 11, 2021, the Board noted that while it had "confidence in the IMF's robust and effective channels for complaint, dissent, and accountability," it would at the same time consider "possible additional steps to ensure the strength of institutional safeguards."¹
6. As part of these additional steps, the Fund is seeking the services of an External Panel of Experts, led by an eminent person from the international macroeconomic policy community, to conduct an independent, strategic review of the DRS and Board Ethics Committee. The Panel was appointed by Fund Management with input from the Executive Board Steering Group on Institutional Safeguards (SG). The Panel's report and recommendations will be presented and submitted to Fund Management and the SG, and is intended to draw on and complement work and findings of the SG and two IMF staff working groups (WGs)—one focused on data and analysis integrity and the other on internal governance and staff voice.

Objectives and Scope of the External Review

7. The External Panel review will benchmark the Fund's DRS against comparators (i.e. other international organizations) and best practices, including from the corporate sector, where relevant, in providing stakeholders with fair and impartial channels of recourse for dissent without fear of reprisal or retaliation and in facilitating resolution of disputes in a timely manner. The review should identify strengths and key gaps of the Fund's DRS. The review should cover whistleblower protections and mechanisms for receiving such complaints. Moreover, the review should consider the framework for addressing complaints applicable to the Managing Director and Board officials.
8. In conducting this review and benchmarking, the External Panel is to explore the following topics:

Governance and design

- Does the DRS provide sufficiently comprehensive and effective channels for raising and resolving disputes? Is there a need for greater coordination? Are the levels of confidentiality

¹ See: [Press Statement](#).

appropriate? Are whistle-blower arrangements sufficient including with respect to issues concerning the board and management?

- Are the offices of the DRS appropriately resourced to promote their effectiveness, visibility and independence? Are DRS cases handled in a timely manner? Would service-level agreements for DRS offices be helpful?
- Is the framework for addressing complaints relating to the Managing Director and Board officials, and whistleblower protections for complaints relating to such officials, robust?
- Is the oversight and reporting structure sufficiently clear, and does it promote adequate follow-up and accountability? What about arrangements for periodic review of the system?

Access and Inclusion

- Are there critical gaps in the existing DRS framework that undermine an inclusive culture and environment that would enable free and open exchange of ideas and disagreements with safeguards to address potential fear of reprisal? Does ongoing work at the Fund, including follow up to the D&I survey, address these gaps?
- What issues affect staff trust and confidence in the DRS?
- What are key recommendations for how this can be remedied?

Information and Communication

- Are there gaps in communication about the status and outcome of disputes to both grievants and other affected parties, processing, and resolution that may affect trust and confidence in the system, and what recommendations can be made to address these gaps taking into consideration the need to preserve confidentiality?

Composition, Timeline, Administrative Support, and Deliverables

9. The External Panel has been convened and is composed as follows:
 - **Jens Weidmann** — *Chair*. Economist, former President of the Deutsche Bundesbank and Board member of the European Central Bank. Former Chairman of the Board Bank of International Settlement, Advisor to Chancellor Germany's Chancellor Angela Merkel.
 - **Susan Raines** — Professor and Associate Director, School of Conflict Management, Peacebuilding & Development, Kennesaw State University (Georgia, USA).

- **Olufemi Elias** — Judge of the Islamic Development Bank Administrative Tribunal, Judge for Staff Appeals for Special Tribunal, Lebanon. Executive Secretary of the World Bank Administrative Tribunal.

10. The review by the Panel commenced in January 2022. A draft report is expected to be presented to the WG, Board SG and Fund Management by mid-March 2022. A final report will be submitted no later than end-March 2022.

11. The Panel will also be supported by Ruben Lamdany, former Deputy Director of the IMF's Independent Evaluation Office and former Director at the World Bank, who will serve as an Advisor to the Panel. The Panel will be assisted by a small secretariat of outside experts and may hire external staff for support.

12. The External Panel will have access to all relevant information, except for personnel-related information that cannot be made available for reasons of confidentiality without the consent of the affected party. The Panel may conduct interviews as it deems appropriate, including with the IMF Executive Board and Members of its Ethics Committee, Fund Management, the WGs, Principals of the DRS, Members of the Administrative Tribunal, staff, and staff affinity groups. For the purpose of comparative international practices, the Panel will also have the opportunity to interview personnel at selected international organizations.

Appendix II. Working Group on Internal Governance and Staff Voice—Final Report

January 19, 2022¹

Introduction

1. Board review and additional steps. In concluding its review of the Investigation of the World Bank's Doing Business 2018 report on October 11, 2021, the IMF's Executive Board noted that while it had "confidence in the impartiality and analytical excellence of IMF staff and in the IMF's robust and effective channels for complaint, dissent, and accountability," it would at the same time consider "possible additional steps to ensure the strength of institutional safeguards in these areas."² As follow up, the Board established a "Steering Group of the Executive Board on Institutional Safeguards" (SG) of Directors to lead a review in these areas. This review will be based on an integrated approach, with the SG working with IMF Management and two IMF staff working groups (WGs) formed by the IMF Managing Director, one focused on data and analysis integrity and the other on internal governance and staff voice.³

2. Working Group on Internal Governance and Staff Voice. The WG on internal governance and staff voice was tasked with recommending a process to assess and strengthen mechanisms to protect the voice of staff, including those with dissenting views or experiencing inappropriate or unacceptable workplace behaviors.⁴ This WG has conducted a stock-taking of protections for staff voice, notably by assessing past institutional reviews of the Dispute Resolution System (DRS) and staff surveys, and by engaging with the heads of the offices that comprise the Fund's DRS. Further outreach to staff is planned in the form of a Town Hall and a short, focused "pulse survey" to solicit feedback on the current DRS framework and processes. This report takes stock of the current

¹ This version of the report incorporates comments from Management, the Board Steering Committee, John Barkat (Mediator), Thomas Zgambo (Ombudsperson), Celia Goldman (Administrative Tribunal), Elliot Shaller (Grievance Committee), and Sabina Blaskovic (Office of Internal Inspection) and Ursula Wellen (Ethics Advisor and Head of the Ethics Office).

² The Board also reiterated its commitment to supporting the IMF's Managing Director in maintaining the highest standards of governance and integrity in the data, research, and operations of the IMF and expressed confidence in the impartiality and analytical excellence of IMF staff and in the IMF's robust and effective channels for complaint, dissent, and accountability. The Board indicated that it planned to meet to consider possible additional steps to ensure the strength of institutional safeguards in these areas." (see: [Press Statement](#)).

³ The WG on institutional governance and staff voice is headed by Catriona Purfield (HRD) and includes Abe Selassie (AFR), Gerry Rice (COM), Alfred Kammer (EUR), Rhoda Weeks-Brown (LEG), Brenda Boulwood (Office of Risk Management), Nancy Onyango (Office of Internal Audit), Gina Paone (Office of Innovation and Change), and Jonathan Manning and Martine Rossignol from the Staff Association Committee. A small secretariat includes Mark Horton (EUR), Raphael Anspach (COM), and Ben Fosu (OIA), with support from Melissa Thomas and Tuuli Mooney-Schindler (LEG), Kate Jonah (ORM), and Rachelle Vega (EUR).

⁴ At the request of the SG, this report also addresses the dispute resolution and ethics framework that applies to Board officials, and the Managing Director.

landscape; identifies areas for improvement, including immediate actions to raise visibility and understanding, as well as longer-term areas for attention; and recommends an external assessment.⁵

3. Cultural change. While this WG has focused on reviewing and identifying opportunities to strengthen formal and informal mechanisms to enable staff to voice complaints or concerns freely, it recognizes that it is essential for the IMF to continue efforts to create an open and trusting working environment and a culture that is conducive for staff to freely express views, especially dissenting views. Work in this area is ongoing at an institutional level, and efforts will continue (see ¶19) to address outcomes of a recent survey on diversity and inclusion (D&I) and a planned staff engagement survey, preparations for which will begin in the first part of 2022. For example, the Office of Innovation and Change is working with other departments on a range of initiatives, including related to the Fund's vision, purpose, principles, and actions, and HRD is working on training and other activities to support cultural change, such as new workplace behavioral workshops, leadership training development, coaching programs (including e-coaching), and a new pilot sponsorship program for URR staff.

Review of the Fund's Dispute Resolution and Ethics and Integrity System ("DRS")

Overview of DRS Offices and Services⁶

4. The Fund's DRS has developed incrementally over the past four decades. It involves multiple complementary channels and offices that aim to facilitate prevention, reporting, mitigation, and resolution of workplace grievances—including those involving voice—and to ensure accountability of individuals and the institution. The system is comprised of three pillars: informal services, formal services and ethics and integrity.⁷

- **Informal services.** The system emphasizes the resolution of disputes at the earliest and least-formal level. The informal level does not involve offices of notice, and it does not make determinative findings. Accordingly, there are multiple channels for staff to seek informal resolution, which are set up to help staff solve their issues with tailored support and assistance but do not entail a formal grievance. Informal services may be pursued concurrently, and each of them offers staff an opportunity to discuss matters in a confidential manner.^{8,9} The Ombudsperson and the

⁵ A second WG is considering data and analysis integrity issues, including whether there is a need to clarify roles and responsibilities at key nodes/points of transmission in ensuring analytical integrity, including Board engagement.

⁶ Head of DRS offices are hired as contractual employees. They are independent, report directly to the MD and are not affiliated with a department.

⁷ This description of a three-pillar system is for clarity (n.b., Staff Handbook Chapter 11.03 defines the DRS and does not make explicit reference to the three pillars). The DRS represents independent processes and offices that facilitate resolution of a dispute, but this is complemented by appropriate intervention by managers and HR professionals, thus the manager, the HR Business Partners and Strategic HR Partners (SHRPs) in HRD are often notified of a complaint at an early stage.

⁸ Most DRS offices offer confidentiality if requested.

⁹ "Staff" comprises regular staff with open-ended assignments and contractual staff, including long- and short-term experts and local or field staff.

Mediator are impartial experts who may assist staff to resolve workplace concerns; they are not considered part of the formal services as engagement does not involve a formal grievance. All staff may also seek counsel of a Peer for a Respectful Workplace (PRW), a staff-member volunteer who may engage in peer-to-peer conversations to help address workplace disputes. All staff have access to the informal services at any time.

- **Formal services.** Formal services offer venues for consideration of employment-related issues, including harassment or abuse of authority. Invoking formal services puts the IMF “on notice,” and establishes required time limits. Staff and contractual employees may request administrative review of career and benefits decisions through a two-tier process, in which the HRD Director ultimately decides an outcome.¹⁰ Staff may challenge that decision before the IMF’s Grievance Committee, and ultimately, the Administrative Tribunal. Contractual employees may request arbitration as a final step in their dispute resolution process after administrative review.
- **Ethics and integrity services.** Ethics and integrity services seek to ensure compliance with the Fund’s standards of conduct. The Ethics Office (EO) contributes to good governance of the Fund and assists the Fund and Fund staff/employees in maintaining high ethical standards of conduct, probity, integrity, and impartiality. The EO provides advice and guidance to managers and staff on ethics and rules of conduct, promotes ethical awareness through training and outreach, and oversees compliance programs that support implementation of the Fund’s Code of Conduct. The Office of Internal Investigations (OII) conducts inquiries and investigations into allegations of misconduct, including breaches of the Code of Conduct.¹¹ OII also has a special role in conducting expedited review of retaliation complaints and recommending remedial action to be taken by IMF Management. The Fund also has an Integrity Hotline, administered by an independent third party, for receiving anonymous and confidential allegations of misconduct or other concerns from staff or members of the public. Reports are relayed to OII for follow-up, under oversight of an Integrity Hotline Oversight Committee.¹²

¹⁰ The two-tier process involves a first level review by the staff member’s department head (for disputes relating to a staff member’s work or career in the Fund), or by the relevant HRD Division Chief (for disputes relating to staff benefits). This is followed by a review by the HRD Director.

¹¹ OII’s role is set forth in Staff Handbook Chapter 11.02. OII is independent of the DRS and reports to the Managing Director in providing support as part of the administrative misconduct framework. It does not play a role in dispute resolution, but supports the institution and the Managing Director in ensuring staff adherence to IMF policies. Where the DRS exists to address grievances or damages sustained by a staff member, the internal investigation process does not include provisions for addressing grievances or claims, an important distinction setting OII apart in principle and practice from the DRS channels. So while not part of the DRS, OII plays a role in handling workplace issues in certain instances, e.g., when a staff member’s alleged conduct would rise to the level of a violation of a relevant policy such as the Harassment, Discrimination or Retaliation Policy, and when, separate and apart from engaging the grievance process to remedy the affected party, it is deemed institutionally efficient and responsible to also ensure accountability and corrective action in respect of the subject (as opposed to just the institution, who may redress the affected party through the DRS), whose conduct may have violated IMF policies.

¹² OII is charged with administering the IMF Integrity Hotline and reporting on its operations to the Integrity Hotline Oversight Committee. The Oversight Committee is chaired by the Director of HRD and includes the Directors (or their designees) of FIN, LEG, OIA, the Internal Investigator, the Ethics Advisor, and a SAC appointee. The Committee meets every four months to review a summary report of the allegations received by the hotline, to ensure that they have been appropriately addressed. These reports, including on allegations that were not further pursued, are provided to the

(continued)

Fund Informal and Formal DRS Mechanisms	
Office	Reporting Channel
PRW	Elected by peers
Ombudsperson	Appointed by Managing Director after consultation with the SAC
Mediator	Appointed by Managing Director after consultation with the SAC
Ethics Advisor	Appointed by Managing Director after consultation with the SAC
Internal Investigator	Appointed by Managing Director after consultation with the SAC
Administrative Review	HR Director
Grievance Committee Chair	Appointed by Managing Director after consultation with the SAC
Administrative Tribunal President and Judges	President appointed by Managing Director after consultation with the SAC and with the approval of the Executive Board. Other members appointed by the Managing Director after appropriate consultation including with the Executive Board.

5. Other measures. Outside of individual cases, many DRS offices regularly inform Fund Management of issues affecting workplace culture. For example, the Ombudsperson issues an annual report, and regularly meets with the Director of HRD and Management to inform them of systemic trends or issues, with recommendations for changes in policy or practice. Managers and the HR community are on the front lines of monitoring and addressing workplace grievances and supporting a culture of proactive compliance and timely follow-up on the expected standards of conduct.¹³ About two-thirds of eligible Fund staff are members of the Staff Association (SAC), which has a range of services to help empower SAC members address workplace complaints, including legal consultations provided by the SAC legal advisor, and a legal assistance fund. The independent witness program is administered by the SAC office under the auspices of the Ombudsperson.¹⁴ The

Committee in a manner that does not compromise the confidentiality or anonymity of any individual identifying information. In addition, a summary list of hotline reports and their disposition, without identifying information as to individuals, is made available annually to the External Audit Committee.

¹³ Although the Administrative Tribunal is not authorized to “resolve hypothetical questions or to issue advisory opinions” (Commentary on the Statute, p. 13), its overall purpose transcends the resolution of individual disputes. By interpreting the law of the Fund through a system of reasoned, published judgments, the Tribunal’s work has downstream effects in clarifying the law as applied by managers and by the other components of the DRS, thereby shaping future conduct in conformity with legal standards.

¹⁴ Many organizations, including the Fund, recognize that a staff member may wish to be accompanied by a colleague at a meeting with managers, including an Annual Performance Review discussion. This may be reassuring if the staff member is concerned at the prospect of a difficult conversation and/or feel that it would be useful to have an independent observer present. The SAC maintains a roster of employees who volunteer to serve as Independent Witnesses (IWs) and make themselves available to accompany colleagues to meetings.

Fund's Retaliation Policy protects staff against adverse employment action for using established channels for reporting complaints or concerns. Accordingly, staff are encouraged to report complaints or concerns to the relevant offices (e.g., the Ethics Offices, Integrity Hotline etc.), which assures appropriate confidentiality and protection from retaliation.

6. Framework Applicable to the Managing Director and the Board. The dispute resolution mechanisms available to the Managing Director and Board officials are not well defined outside of the ethics framework. Advisors and Assistants in Offices of Executive Directors (OED) have standing to challenge matters affecting the terms of their employment before the Administrative Tribunal.¹⁵ The terms of reference of the Ombudsperson specifically precludes access by Executive Directors, Alternate Executive Directors, and OED Advisors or Assistants since they are "not staff members and are appointed by and serve at the discretion of Executive Directors."¹⁶

7. Board Code of Conduct. Board officials are bound to comply with the Board Code of Conduct, while the Managing Director is obligated to comply with the ethical obligations applicable to staff, as modified by the terms and conditions of her appointment.¹⁷ The Ethics Committee also serves to support and oversee the ethical conduct of the Managing Director, Executive Directors, Alternate Executive Directors, and other Board officials. The Ethics Committee is comprised of a Chairperson, four members and five alternate members from among the Executive Directors. The Ethics Committee offers guidance to such officials on their ethical obligations, and oversees the financial disclosure program for Board officials. The Ethics Committee will consider any allegations of misconduct relating to persons under their purview, which may be brought to them directly, through a Fund official, the Ethics Advisor, OII, or the Fund's Integrity Hotline. The Ethics Committee may initiate investigations, and may recommend appropriate action to be taken in the event they conclude that misconduct has been committed.¹⁸

History and Key Milestones of Evolution

8. The Fund's DRS has evolved over time. The DRS is established pursuant to Rule N-15 of the Fund's Rules and Regulations, by which the Board provided for "appropriate procedures" to be "established for consideration of complaints and grievances of staff." In 1979, an Ombudsperson was established to offer informal counselling; in 1981, the Grievance Committee (GC) was

¹⁵ Article II(2)(c)(ii) of the Statute of the Administrative Tribunal grants standing to "any current or former assistant to an Executive Director", which is defined under the Commentary on the Statute, p. 15, as "persons employed on the recommendation of an Executive Director to assist him in a clerical, secretarial, or technical capacity". Following the change of titles and descriptions approved by the Board (EBAM/03/111), such standing applies to both Advisors and Assistants of OED offices.

¹⁶ However, Management has supported the practice for the Ombudsman and Mediation offices to offer informal assistance if approached by Executive Directors or staff from their offices.

¹⁷ See, EBAM/11/17 "Application of the Standard of Ethical Conduct vis-à-vis the Managing Director—A Proposed Framework"

¹⁸ See IEO, 2009, Chapter 10 "Managing Conflicts of Interest and other issues in the IMF" in <https://ieo.imf.org/en/our-work/Books/Books/Studies-of-IMF-Governance-A-Compendium> for a review of governance framework applying to the Board and Managing Director.

established, involving a combined peer and Management review and formal adjudicative mechanism (the GC panel comprises the independent chair and two other members—a SAC appointee and a Management appointee). In 1992, an Administrative Tribunal (AT) was established as an additional adjudicative forum, empowered to render final, binding decisions on individual or regulatory employment matters. Further, in 1998, a Code of Conduct was adopted that prescribed expected standards of conduct, duties, and obligations of staff. In 2000, an Ethics Office was established to support implementation of the Code, including conduct of investigations into allegations of breaches of ethical conduct. At the time, the Ethics Officer was overseen by an Oversight Committee, which approved initiation and monitored conduct of investigations. In 2013, the Fund's Core Values were established—Integrity, Impartiality, Honesty, and Respect; these were recently expanded to include Excellence and Inclusion.

9. Implementation of recommendations of the independent review of the DRS (2002). In 2002, an independent panel of experts was commissioned to review the Fund's DRS. The panel concluded that processes and procedures were fundamentally sound and compared favorably to those of other international organizations with several recommendations. In response to a recommendation to strengthen emphasis on mediation and conciliation at early stages of a dispute, a Mediation Office was established in 2012 to facilitate resolution of legal and interpersonal disputes in the workplace. The panel also recommended splitting the consultation and investigation functions of the Ethics Officer in order to permit staff to seek ethics advice without concern that in doing so they may make themselves subject to an investigation. In 2016, Management approved establishment of OII to investigate allegations of misconduct, and the Ethics Office was tasked with advice, training, and outreach. Finally, the panel recommended broadening the scope of grievable decisions or acts, and it has been accepted that refusal/failure by the IMF to take timely or appropriate actions—particularly in cases of alleged discrimination or harassment—could be grievable before the formal channels of the dispute resolution system.

10. IEO evaluation (2011). An assessment in 2011 by the IMF's Independent Evaluation Office (IEO) of the *IMF's Performance in the Run-Up to the Financial and Economic Crisis* raised concerns about political constraints and influences on the Fund's work. The IEO identified that these constraints came in many dimensions, including requests to alter messages in staff reports, demands by authorities to replace specific mission members, perceptions of pressure from authorities leading to self-censorship, and requests to pursue certain policy initiatives. With respect to staff voice, the IEO recommended that the Fund create an environment that encourages candor and diverse/dissenting views and that it strengthen incentives to "speak truth to power." In response to the IEO's recommendations, the IMF has instituted measures aimed at strengthening staff voice and promoting candor, and periodic comprehensive surveillance reviews have made extensive use of external views for fresh perspectives. Internal review and processes for country work and transparency procedures have been enhanced. Risk identification and assessment processes have been reinforced, including through creation of the Office of Risk Management. However, other recommended actions are outstanding/remain in progress, including related to enhancing geographical and professional diversity as a way of minimizing group think, strengthening traction of policy advice, and promoting open and frank exchange of views with country authorities. Staff

surveys continue to identify key themes and areas of concern among staff, including on the question of ability to speak truth to power.

11. Office of Internal Audit (OIA) review (2013). The IMF's OIA reviewed the DRS in 2013, assessing the extent to which the Fund's DRS provides staff with fair and impartial channels of recourse, facilitates timely and efficient disposition, and meets institutional needs by contributing to better governance and enhancing organizational effectiveness. Specifically, it assessed the design and structure of the system and its components; examined oversight arrangements; evaluated the adequacy of communications to Fund staff; and took stock of the implementation status of the Management Action Plan to address the 2002 External Panel recommendations. OIA's review noted that some progress had been made following the external panel but also made additional recommendations. The review found the DRS to be well constructed—comparable to other international organizations—with a proper balance between informal and formal mechanisms. The formal system was considered to be impartial, effective, and authoritative. However, in light of the low level of trust in the DRS system, as evidenced through staff surveys, the report indicated that it was harder to conclude whether the system met the Fund's organizational objectives. A Fund-wide survey conducted for the review found that less than half of respondents had confidence or trust in the DRS. They also feared retaliation from supervisors. The review suggested that limited information or communications on the DRS may have contributed to negative perceptions. The review also found that:

- Less than a third of cases before the GC had a grievant with legal representation, while the Fund was always represented by staff lawyers with intimate knowledge of the Fund's rules and regulations and case precedents.
- No formal requirement or arrangements existed to conduct periodic evaluations of the DRS or its components to ensure that it functioned effectively and efficiently, met the needs of the institution, or that lessons were learned.
- Attention had been given to basic principles of procedure and due process in the DRS, but at the cost of proceedings that could be unduly long—an average of 791 calendar days to avail the entire formal system: administrative review (62 days), GC (428 days), and AT (301 days).

12. The OIA review made several recommendations. Specifically, OIA recommended to: (i) develop and implement a communications strategy to not just raise awareness of the DRS, but to change perceptions; (ii) formulate and implement an action plan to address fear of reprisal; (iii) issue reports regularly on the status and outcomes of administrative reviews; (iv) develop and implement a comprehensive reporting, oversight, and accountability framework for the Fund's DRS; (v) develop explicit procedural guidelines; and (vi) streamline operations. As this was an advisory review at the request of Management, there was no formal follow-up beyond 2015, consistent with OIA's practice for advisory reviews. There was recognition that outcomes for the recommendations may need time to materialize and to be re-assessed in a future audit. In the meantime, Management published a Staff Handbook in 2016 to better communicate information on HR policies and DRS services. The Handbook serves as a comprehensive, authoritative statement of employment rules. The Fund also

introduced a number of information tools, including a designated Intranet page for all DRS services. Other changes and initiatives to support and strengthen the DRS have included the PRW program (2013, coordinated by the Mediator) and the Independent Witness Program (2017, coordinated by SAC with training by the Ombudsman). The SAC legal advisor provides legal advice to SAC members who have questions, and the SAC Legal Assistance Fund (2015) now offers financial support to SAC members to assist with legal costs incurred in the formal channels of the DRS. Moreover the Fund revised its Harassment Policy (2017) and the Retaliation Policy (2019) to elaborate the protections available to staff and strengthen mechanisms for ensuring oversight and accountability.

The Fund's Framework for Addressing Harassment and Retaliation Complaints

13. The IMF has worked to progressively strengthen its policies and procedures on workplace harassment and retaliation. In 2017, the Harassment Policy was revised to introduce clear definitions of harassment, responsibilities of staff and managers, and channels to report harassment, and to introduce a reporting mechanism managed by the Ethics Advisor and HRD. The Ethics Office and other DRS offices are tasked with providing advice and mandatory training to staff on ethics matters, including prevention of workplace harassment. The revised policy clarified that managers/supervisors are the first line of activity and response for addressing harassment complaints—they are required to follow appropriate standards of behavior and to actively and effectively address conflicts. Managers and supervisors are obliged to ensure that harassment cases are promptly addressed, with timely referral to relevant offices. Failure to take appropriate action may be a performance matter or misconduct. Departments are required to maintain confidential records of allegations and actions; these are monitored by the HRD Director, who in turn reports to Management.¹⁹

14. The Retaliation Policy, which was revised in 2019, also seeks to ensure that staff who use or otherwise participate in the DRS may do so without fear of reprisal. The policy has specific provisions for staff who engage in "protected activities", which include raising ethics concerns through an established mechanism, using the DRS (including as a witness or assisting another), and cooperating in proceedings of the OII, OIA, and IEO. The policy stresses the responsibility of managers and supervisors to create an atmosphere where staff feel free to use the DRS system and establishes a duty of managers to act on, report, and ideally, resolve ethical concerns that come to their attention.

15. Staff who feel they are subject to retaliation have two key avenues for recourse. They may submit a complaint that an individual staff member engaged in misconduct, this may then be the subject of an investigation and possible disciplinary action. Specifically, under the Retaliation Policy, the first step in filing a formal claim of retaliation is to request an Independent Review with OII. If the IR does not substantiate the retaliation claim, then the staff member can initiate the grievance process. If a staff member initiates the formal grievance process by requesting an

¹⁹ According to some DRS office heads, this recommendation was resisted by managers when the policy was rolled out. Currently few managers are aware of this requirement.

Administrative Review into an adverse act that occurred within the past six months, they will be routed back to OII first to initiate a request for an Independent Review. Revisions to the retaliation policy in 2019 introduced an expedited review process of 45 days by OII to determine corrective action that should be taken by the institution. Under this change, the burden of proof was shifted, along with the standard of proof, which was changed to clear and convincing – for retaliation claims only, so that the Fund must now demonstrate that the action alleged as adverse would have been taken for separate and legitimate reasons, even in the absence of the complainant's protected activity.

Use of the Fund's DRS

16. Despite concerns expressed in surveys and other channels, the DRS is utilized by staff.

In 2020, the Integrity Hotline received 218 reports. However, the vast majority were scam calls, and only 13 pertained to substantial allegations like favoritism, abuse of authority and harassment. They were referred to OII, who in 2020 received an additional 15 direct referrals and 12 referrals from other sources like the Ethics Office and HRD. The Ombudsperson was consulted 174 times in 2019; slightly more than half of the consultations related to evaluation relationships (direct reports, APRs). Other prominent issues were career development and progression, ethics, and standards.²⁰ In 2020, the Mediation Office served 226 staff through its resources and programs including 96 who utilized PRW, mediation or coaching pertaining to teamwork, workplace stress, roles & responsibilities, conflict, communications, trust, respect, and ratings; and an additional 130 through conflict resolution training, team-building, and the Coffee & Conversation program, i.²¹ ²² In 2020, the Ethics Office responded to 481 requests for advice, mostly pertaining to conflict-of-interest inquiries, but also to workplace fairness, discrimination, and retaliation.²³ Some DRS processes can be time consuming (administrative review, grievance, tribunal), and it may be difficult for staff to determine which channel to approach depending on the nature of the concern. DRS offices work to keep Management informed of their overall activities, themes and broad issues arising from their work through informal meetings with DMDs and the MD. Within the formal DRS channels, on average, HRD undertakes 27 first-level administrative reviews (ARs) annually; in 2018 and 2019, these related mainly to overseas benefits, home leave, education allowance, and separation and appointment benefits.²⁴ The HRD Director completed an average of 13 second-level ARs during 2016–18; these pertained to general benefits, medical plan benefits, performance (APR, performance improvement plans), promotion, appointment terms, selection decisions, and separation and non-conversion decisions. Seven cases were filed with the GC in both 2018 and 2019.²⁵ The AT issues 1–3

²⁰ The Ombuds Office, Annual Report 2019, page 5.

²¹ Mediation Office, Annual Report 2020, page 8.

²² Id.

²³ Ethics Office, Annual Report 2020, page 11.

²⁴ Administrative Review, Annual Report 2018/2019, pages 3 and 4.

²⁵ GC, Annual Report 2018, page 3.

judgments per year.²⁶ As noted above, the formal processes are lengthy: before the pandemic, an administrative review averaged 62 days, GC 428 days, and AT 301 days.

Staff Perceptions and Feedback: Past Staff Surveys (DRS, Voice, and Fund Culture)

17. Despite progressive changes and statistics on access, staff surveys continue to show reticence to use or trust the DRS. In its 2013 review, OIA noted the results of a 2010 staff survey that found that less than half of respondents had confidence in the DRS and feared retaliation. A 2013 survey had particularly disappointing results on staff's confidence in the DRS and their ability to speak truth to power. A high share of respondents—88, 95, and 93 percent, respectively—had favorable views of their awareness of workplace values, avenues for reporting harassment and other unethical conduct, and avenues for resolving disputes; however, just 50 percent trusted the integrity hotline and only 38 percent were confident that dispute resolution was effective. In the survey, 96 percent reported experiencing or observing sexual harassment, 84 percent experiencing or observing discrimination, and 74 percent experiencing or observing bullying or intimidation in the previous 24 months. On questions on openness and trust, challenging traditional ways of doing things, and on the ability to report unethical behavior without fear of reprisal, just 39, 28, and 44 percent, respectively, had favorable views. On whether there is a conducive environment for the Fund to listen to or respond to staff ideas, problems, or complaints, just 40 and 30 percent had a favorable view, respectively. Finally, just 19 percent had favorable views on the willingness of staff to reveal problems or errors to their supervisors.

18. A 2015 staff survey update showed some improvement, likely reflecting departmental action plans put in place. Improvements were observed in listening to ideas, problems, and complaints (23 percent improvement), applying policies fairly to all staff (+14 percent), creating an environment of openness and trust (+16 percent), and establishing a climate for challenging ways of doing things (+16 percent). However, a 2017 survey noted deterioration on: (i) applying policies fairly to all staff (-20 percent); (ii) creating an environment of openness and trust (-11 percent); and establishing a climate for challenging traditional ways of doing things (-10 percent).

19. 2021 D&I survey. Results from a 2021 survey on diversity and inclusion noted some positive cultural changes.²⁷ However, it also found that just 42 percent of participants believe that the Fund's policies against discrimination or harassment are well enforced with just a quarter of participants of black or afro-descent in agreement. While 74 percent of D&I survey participants stated that they know how to report harassment concerns, just 40 percent feel comfortable doing so. This drops to a third of staff from URRs and just a quarter of respondents of black and afro-descent. Respondents of black and afro-descent also report higher-than-average percentages of

²⁶ [IMF Administrative Tribunal - Judgments](#)

²⁷ The 2021 D&I survey differed from previous surveys as it was the first time that staff were able to self-identify race. Questions also differed from past surveys, making it inapt for identifying trends and comparing against previous surveys.

having been the subject of discrimination or harassment, and feel generally less respected at the workplace than average.

20. The Fund is making ongoing efforts to enhance diversity and inclusion, particularly for staff from URRs and of Black and Afro-descent. The Fund is aware that staff from URRs and of black and afro-descent are affected more than other groups by issues of fear, empowerment and voice, and in 2021 has committed to a Race Equity Action Plan to implement complementary measures to improve culture at the Fund by introducing listening sessions conducted by management and the D&I Office with staff from URRs and the Network of Black Staff; offering racial justice & equity seminars; recruited a senior race expert who commenced work in 2021; created a racial equity advisory group; launched a pilot sponsorship program focused on URR nationals in 2021; ensuring diversity is weighed in the B-level list and promotion process; and launching FUN Diversity in early 2022, a self-identification survey in which staff can voluntarily disclose their identity to help the Fund better understand the broad diversity of its staff and identify gaps in the Diversity & Inclusion program.

Discussion with DRS Offices

21. During the second half of November 2021, this WG held seven meetings with heads of offices that comprise the DRS to discuss the functioning of offices and the system more generally. Questions focused on office and DRS strengths, gaps, resourcing, visibility and outreach, independence, reporting and oversight, reviews, and possible changes.²⁸ Office heads generally view the DRS as well elaborated and comprehensive, particularly for an institution of the IMF's size in terms of number of staff. They stressed the multiple informal and formal channels to register and address disputes. Several noted favorably the availability of an Ombudsperson, Mediator, and an Ethics Officer, as well as a separate investigations office, and a multi-tier adjudicative mechanism (administrative review, Grievance Committee, Administrative Tribunal). The overall view of DRS heads was that while the Fund compares well with other international financial institutions and organizations in the availability of different offices/channels with different functions and approaches, the conditions of employment used for these offices had become outdated and placed the Fund at the bottom against its comparators.²⁹ Several also noted that the UN system and other international organizations should not be the sole benchmark. One head stated that that the Fund is an outlier in requiring Management approval of investigations by OII, noting that they were not aware of other IFIs that have this requirement or even private-sector institutions. The requirement adds extra time

²⁸ Discussions were held with the Mediator, Ombudsperson, the Acting Ethics Officer, the Internal Investigator, the current and outgoing Chairs of the Grievance Committee, and the Registrar of the Administrative Tribunal (unfortunately time did not permit a meeting of the WG with the President and/or the Tribunal members; it is suggested that the external panel meet with the Judges in conducting the external review). The WG also met with staff from HRD and LEG who participate in the formal channels of the dispute resolution process.

²⁹ The concerns on conditions of employment relate to the employment/contractual status of staff in the offices and their ability to take positions elsewhere in the Fund, as well as benefits available to (future) DRS office heads. These concerns are being addressed through changes and a new staffing framework approved by Fund Management on February 5, 2021 following engagement with DRS office heads and with the support of the Fund's Staff Association Committee (see ¶25 of this report for further discussion).

to investigations and also discourages employees from filing allegations of misconduct because they doubt the independence of the office.

22. Despite strengths, business culture issues affect the work environment and have the potential to constrain voice—before issues reach the DRS and its offices. Several office heads observed that the IMF is not immune from adverse workplace behavior or difficult cases and that concerns with potential retaliation may prevent staff from voicing dissenting views. The Fund's hierarchical structure, staff's visa status, long careers, and a perception of the importance of informal networks to one's reputation may contribute to fear of reprisals. An important observation concerns perceptions of inaction or delayed action by managers or the institution to address concerns or issues that are known, come to light, or are seen as chronic. This is despite the 2017 harassment policy changes that require managers to report issues and cases.³⁰ Inaction or delayed actions contribute to a perception of impunity for managers and to mistrust, cynicism, concerns with reprisal, and lack of voice. An improved environment will require taking early, and ideally, anticipatory and proactive steps.

23. Awareness and training are particularly important. DRS office heads consider that managers and staff need continued information, training, and guidance on standards of conduct, roles, and expected actions, especially steps to take when a situation becomes risky or deteriorates. Greater awareness is needed, and follow-up should become routine. More routine, open discussion of differences of view and disputes and regular and frank feedback on performance, acknowledging that differences and disputes do occur and that provisions are in place to address disputes, along with communications on follow-up actions taken would help destigmatize and address fear of retaliation. It will be important to enhance reporting on steps being taken or having been taken to address conflicts (cases of inappropriate workplace behaviors or actual disputes, but also differences), while maintaining confidentiality and a sense of staff protection.^{31, 32} While cultural change is challenging, it does take place with determined and sustained effort and follow up. Also:

- Additional attention and resources would also be helpful to speed up the response time to cases and for enhanced training and coaching.
- Tailored approaches are likely to be needed for groups of staff who might feel especially vulnerable or fearful (e.g., contractals, G-4 visa holders, term staff, staff from URRs, and of black

³⁰ Under the 2017 revisions to the Harassment Policy, Departments are to maintain strictly confidential records on allegations of harassment and actions taken to address them. The Ethics Advisor, in consultation with the Director of HRD, is to undertake monitoring (including periodic surveys and review of departmental records) and periodic reporting to management on such matters.

³¹ Depersonalized/anonymous mechanisms like the integrity hotline are important and should be reviewed and enhanced (for visibility, scope of issues, and reporting on cases and follow-up).

³² A number of office heads noted that reporting on harassment has been somewhat delayed since the onset of the pandemic and the passing of the former Ethics Advisor, however in December 2021 the Acting Ethics Advisor reminded Departments of their obligations to report harassment cases to the Ethics Office as required under the Harassment Policy.

and afro-descent). There may be a need for targeted interventions from DRS offices in these areas.

- Robust arrangements are needed to follow-up on complaints and ensure accountability for managers, senior managers, departments, Management and HRD in fulfilling their responsibilities to manage conflict, performance, and misconduct.

24. DRS office heads acknowledge concerns on system visibility and trust,

notwithstanding outreach efforts. They believe that is still prevalent among many staff and that the complexity of the DRS and prolonged times for follow-up and resolution may inhibit some staff from accessing DRS services.³³ This limits the effect of outreach by DRS offices, including participation in new staff on-boarding, department visits, outreach to field offices as well as participation in the retreats of Resident Representatives, Fundwide fairs and town halls, and information dissemination physically and via websites and annual reports.³⁴ Outreach efforts and visibility should continue to include senior management in order to role model to staff and managers at all levels. DRS office heads noted that access to information could be improved via enhanced knowledge management and search tools or more accessible judgment summaries of the AT. Annual reports generate very limited reaction or follow up from staff, Management, or the Executive Board. Office heads observed that DRS reporting and oversight arrangements do not facilitate follow-up on recommendations or accountability of stakeholders, echoing 2013 OIA review concerns. DRS heads suggested that consideration could be given to more frequent engagement with heads of department and Management (for example, reporting to and discussion at Fund Management and Senior Management meetings), and sharing annual reports with the Board and other stakeholders on a regular basis for information. This would aim at improving confidence, trust, and access to the system. Finally, a broader consideration is that associating or blending two themes—the grievance and redress function versus the institution's framework for ensuring appropriate staff conduct and fair accountability/due process—may result in lack of clarity for stakeholders. An assessment of overall framework should make a distinction between the DRS/grievance process and the misconduct adjudication process, noting that they are different and separate systems. Looking at them together might focus, for example, on gaps, overlaps, or interlinkages.

25. Issues remain with DRS office resources and with resources for Administrative Review.

These affect timeliness, information availability and reporting, and staffing.³⁵ Several office heads

³³ One DRS head noted a "common misconception" that a central entry point would be better. A second agreed. They observed that a multiple entry point system is like a "round-about" (or a "multi-door courthouse") that allows traffic from different directions to travel freely (or where formal and informal channels work in tandem). Each office may direct visitors to the right office and resource. Staff may select where they want to go first based on their level of comfort, including on gender, nationality, language, etc. Once in the system, they are then directed to the right place. The multiple-entry system also reflects that it may take a lot of courage for people to visit the DRS offices.

³⁴ One DRS head noted that there appear to be few resources targeted at field staff, and little knowledge among these staff—particularly local staff—of services available to them.

³⁵ For example, tight resources have made it difficult to maintain service standards when clusters of cases are received at the same time; when Administrative Review stakeholders are engaged in unexpected legal issues; or when staff need to take

(continued)

noted continuing concerns with the DRS staffing model, which is currently in transition. After consultation with DRS office heads and with support from SAC, Management approved a new DRS employment model in February 2021, and HRD and OBP have reviewed resource plans submitted by DRS office. The review allocated additional resources to DRS offices, including for new skills (e.g., in forensic investigation) and entailed some shift away from rotational positions where there was a strong institutional need (e.g., to ensure continuity of knowledge). It also eliminated cooling-off periods for non-head of office employees. These changes could address concerns with workloads and reliance on contractual, time-limited positions, which may have impeded recruitment and retention. Nevertheless, DRS heads note that even with those improvements, the system remains outdated. Some offices highlighted a need for specific skills—paralegal/research services, and outreach/communications. Some DRS processes rely on staff volunteers, leading to bottlenecks.³⁶ For the AT, the statutory requirement that the President must sit on all panels leads to scheduling difficulties and delays; the role of a Vice President might be considered.³⁷ The Mediation Office is beginning to make greater use of “on-call” mediators to improve case management. Annual Reports are slow to be released, with a backlog of up to four years, and reports could include more analysis or information. Upgrading IT resources would be helpful (e.g., knowledge management, accessibility/searchability of information). Arrangements to ensure more proactive and timely response are also likely to require additional resources both within the DRS and in departments.

26. Several DRS offices asked whether there is a case for greater coordination across the system. This could help guide affected parties who approach the DRS and coordinate efforts across the various offices to ensure consistent and thorough response and follow-up.³⁸ Coordination could extend to consolidated reporting—a combined annual report and engagement with department senior management and Management. In calling for greater coordination, office heads noted the need to be mindful of confidentiality and information sharing across informal and formal processes.

Recommendations

27. Based on its review, the WG has a number of recommendations, both in terms of immediate actions and in areas where more consideration may be needed.

prolonged leave (e.g., sick leave). Preparing annual reports has not been possible since 2019 (the process involves time-consuming manual updates). Case management software might significantly assist preparation of such reports.

³⁶ Staff participate as panelists in Grievance Committee proceedings. The work is time-consuming and challenging to schedule, especially around missions. Additional volunteers (and greater recognition) would help. Virtual meetings could improve timeliness.

³⁷ This change would require amendment by the Board of Governors of Article VII of the Tribunal's Statute.

³⁸ For example, OII's position is that greater coordination would be beneficial with respect to addressing workplace conduct issues and interpersonal issues that are reported by affected parties and may rise to the level of harassment, as opposed to the rest of issues handled by OII such as allegations of fraud, unauthorized external activities, disclosure of non-public information, misuse of IMF assets and resources, etc.

Immediate actions:

- Launch of an external expert review of the IMF's DRS. The review will consider how the Fund's DRS benchmarks relative to other international institutions and emerging/best private sector practices and make recommendations to address institutional gaps and gaps in the DRS that affect voice and fear of reprisal. The assessment should look at the overall framework, making a distinction between the DRS/grievance process and the misconduct adjudication process, focusing on gaps, overlaps, or interlinkages. The benchmarking of the DRS would include the IMF's whistleblowing mechanism and also cover Board Ethics Committee, and be conducted against appropriate comparators, address specific questions, identify important areas for future work and enhancement, and provide views and guidance on key actions. The external panel was constituted in early January 2022, and the review is expected to report by mid-March 2022 (see draft TORs in Annex I).
- Launch of a pulse survey to further inform the work of the external review and its expert panel. Survey questions are under preparation for consideration by Management in the second half of January 2022 and launch in February 2022.
- Continue and strengthen efforts to provide visibility to and increase understanding of staff and managers on the building blocks of voice and governance: the Code of Conduct, the roles of managers and departmental HR teams, required reporting on harassment, availability of the Integrity Hotline as an anonymous whistleblowing mechanism, and the DRS role and functions.
- Restarting of departmental reporting on harassment to the Ethics Office.
- Start preparations in early 2022 for a full staff engagement Survey in FY23 reflecting the insights by the external review on potential shortcomings which would be reflected in the questions (underway)

*Other areas:*³⁹

- Advancing where additional resources are needed by the DRS offices to overcome constraints on case processing and timeliness and address specific gaps (e.g., Administrative Review, paralegal or investigation skills, IT and HR legal resources).
- Enhanced programmatic training and coaching for staff and managers, targeted to voice and dispute issues along with expected behaviors, with follow-up to ensure sustained cultural change. Enhanced outreach efforts and visibility should continue to include senior management to role model to staff and managers at all levels.

³⁹ The issue of "Fund culture" is important, but beyond the scope or mandate of the Working Group. However, as noted in ¶13, work on Fund culture is continuing as part of long-standing and ongoing institutional efforts to strengthen and modernize managerial and HR policies and practices.

- Consideration of a “triage function.” DRS office heads noted that an improved environment will require taking early, and ideally, anticipatory and proactive steps. It is important to deal quickly and effectively with cases, and especially, with recurring cases. This could involve mechanisms for identifying potential “hot spots” (e.g., difficult country cases or new or less experienced managers or staff members), with engagement, monitoring, and intervention before conflict occurs. These efforts—part of a dedicated “triage” function and mechanisms in line departments, HRD, and LEG—would reinforce institutional “no tolerance” messages on harassment and retaliation.⁴⁰
- DRS system design: proposals and follow up on greater coordination, enhanced reporting, and improved accountability. This could include an established procedure for a regular, formal response from Management to the findings and recommendations of DRS office annual reports, which would be made available to the relevant stakeholders.
- Establishment of a coordination and oversight function for both the intake and follow-up of DRS cases (relating to harassment, discrimination, retaliation, and other workplace conduct issues, rather than other issues that may be grieved), so as to ensure accountability for addressing workplace complaints. To this end, across the DRS offices, create a common taxonomy, or common terms used in office annual reports to allow aggregation and analytics. Stronger coordination and/or oversight will need to strictly respect confidentiality and due process requirements, and any consideration of a triage function will likely need examine how it can be linked to one of the independent offices, in both cases to maintain staff trust and preserve and respect independence.
- Regular external reviews of the DRS, e.g., every five years as is currently done for IEO and OIA, and periodic and continuous monitoring of recommendations of such reviews.

⁴⁰ An early warning system that could precipitate management action might be a DRS Coordination Group. Each DRS office could be invited to flag cases on a quarterly basis that require a rapid response by management.

Appendix III. Survey Questionnaire

2022 DRS Survey Questions – Questions 1 to 23		
Number	Question Type	Question Prompt
1	Strongly Disagree - Strongly Agree	I can report unethical behavior without fear of reprisal.
2	Strongly Disagree - Strongly Agree	I would feel comfortable approaching management above me (i.e., managers above my direct supervisor) about my dispute, without fear of retaliation.
3	Strongly Disagree - Strongly Agree	Management above me responds to my ideas, problems, and complaints.
4	Strongly Disagree - Strongly Agree	When it comes to being candid, I feel comfortable 'speaking truth to power' at the Fund.
5	Strongly Disagree - Strongly Agree	I feel like I can express dissenting views on different topics to my manager, without fear of retaliation.
6a	Disagree - Agree	In my opinion, my work is not unduly influenced (i.e., undermining analytical integrity) prior to finalization and/or publication.
6b	Open-Text	If you answered "Disagree" to Question 6, please explain in the open text field below.
7	Strongly Disagree - Strongly Agree	I feel that the rules governing the conduct of Management are as strict or more strict than those applicable to staff.
8	Strongly Disagree - Strongly Agree	The Fund is committed to the fair treatment of all staff regardless of age, creed, disability, educational background, ethnicity, gender, gender expression, nationality, race, religious beliefs or sexual orientation.
9	Strongly Disagree - Strongly Agree	In my opinion, the Fund does a good job of promoting the most competent people.
10a	Strongly Disagree - Strongly Agree	I feel Management and Executive Directors lead by example in promoting ethical behavior.
10b	Strongly Disagree - Strongly Agree	I feel Management and Executive Directors lead by example in promoting fair and respectful treatment of staff.
10c	Strongly Disagree - Strongly Agree	I feel Management and Executive Directors lead by example in promoting a culture of openness and integrity.
11a	Strongly Disagree - Strongly Agree	I feel that my supervisor treats staff fairly and respectfully.
11b	Strongly Disagree - Strongly Agree	I feel that my supervisor promotes a culture of openness and integrity.
12	Strongly Disagree - Strongly Agree	I am aware of the avenues for reporting disputes at the Fund.
13	Strongly Disagree - Strongly Agree	I am confident that the avenues of dispute resolution at the Fund are effective at handling employees' disputes.
14*	Strongly Disagree - Strongly Agree	I feel policies and procedures are applied the same way to all staff regardless of age, creed, disability, educational background, ethnicity, gender, gender expression, nationality, race, religious beliefs, or sexual orientation.
15	Strongly Disagree - Strongly Agree	I feel the institution provides a thorough response in addressing disputes and ethical concerns.
16	Strongly Disagree - Strongly Agree	I trust the effectiveness of the integrity hotline.

Number	Question Type	Question Prompt
17i	Yes - No	In the past 5 years, I have OBSERVED the following incidents: Sexual Harassment
17ii	Yes - No	In the past 5 years, I have OBSERVED the following incidents: Bullying/Intimidation
17iii	Yes - No	In the past 5 years, I have OBSERVED the following incidents: Discrimination
17b	Open-Text	Please share more details with regards to your response to Question 17
18i	Yes - No	In the past 5 years, I have EXPERIENCED the following incidents:
18ii	Yes - No	In the past 5 years, I have EXPERIENCED the following incidents: Bullying/Intimidation
18iii	Yes - No	In the past 5 years, I have EXPERIENCED the following incidents: Discrimination
18	Open-Text	Please share more details with regards to your response to Question 18
19a	Yes - No	In the instances where you responded "Yes" to the questions 17 and 18, did you report the incident? Please respond N/A or skip this question if you responded "No" to questions 17 or 18.
19b	Open-Text	Please share more details with regards to your response to question 19.
19 (Yes)	Yes - No	If you indicated "Yes" to Question 19 and reported the incident/s. Were you satisfied with the Fund's response?
19 (No)	Multiple Select (Select all that apply)	<ul style="list-style-type: none"> a. I didn't know whom to contact b. I didn't believe corrective action would be taken c. I didn't want to be known as a whistle-blower d. I didn't trust the organization to keep my report confidential e. My co-workers would react negatively to me f. Managers would react negatively to me g. I wasn't sure if it was really harassment/bullying/discrimination h. I didn't think it would be resolved in a fair and impartial way i. I dealt with it informally j. I was afraid of retaliation k. I was not aware of any protection against retaliation
20	Open-Text	Do you have any recommendations on how to improve the Fund's dispute resolution system?
21	Open-Text	Do you have any recommendations on how to improve the Fund's ethics and integrity services?
22	Open-Text	Do you have any recommendations on preventing disputes at the Fund?
23	Open-Text	Do you have any recommendations to improve safeguards around data and analytical integrity at the IMF?

Appendix IV. Status of Recommendations of the 2001 and 2013 Reviews of Fund's DRS

The current Panel of Experts, with the assistance of HRD, LEG and OIA, has reviewed the status of all the recommendations, up to 31 December 2021: the pending recommendations from the 2001 review and the seven recommendations of the 2013 review.

Of the remaining third of the recommendations made in the 2001 Report, over sixty percent of the recommendations have now been implemented in full or in part. The remaining recommendations, which were not implemented, in some instances, were due to the conversion of the relevant GAOs to the new Staff Handbook, which was published in 2016, and in other instances either because provisions already existed or the Administrative Tribunal had already passed judgement on those issues.

The status of the seven recommendations made and followed up by OIAI in their 2013 report are as follows:

44. **Recommendation 1:** HRD did not implement a specific communication strategy with respect to the DRS. However, HRD regularly engages in strategic communication initiatives related to the DRS. For example, in 2017 a new DRS website was set up in consultation with the SAC and the Mediation Office. In 2018 HRD launched a webpage on Addressing Allegations of Harassment and Discrimination. In 2019 HRD launched a performance support intranet page, which advises managers that they can also use DRS services for advice on approaching performance issues of their team members.
45. **Recommendation 2:** In 2019, the Fund strengthened and updated its Retaliation Policy. To this end, managers and supervisors are responsible for creating an atmosphere where staff feel free to use the DRS. Managers have a duty to act on, report, and ideally, resolve ethical concerns that come to their attention. An Independent Review process¹ to address employees' concerns about retaliation was established. Any Fund official, except the Ombuds Office and the Office of the Mediator, who receives a retaliation complaint is required to advise the complainant to submit the complaint to the Office of Internal Investigations (OII) for Independent Review. This review is conducted on a short timeline of 45 days, and is to determine whether there is clear and convincing evidence that the adverse action would have occurred for separate and legitimate reasons, absent the protected activity.
46. **Recommendation 3:** Administrative Review annual reports have been issued since 2013 and are available on the Administrative Review intranet. However, there have been no

¹ GAO 11, Annex 11.01.6, Section 4.

updates to the intranet site since 2018, due to a heavy caseload, a downsizing of the department and the changes in working due to pandemic.

47. **Recommendation 4:** Management did not seek to establish a separate oversight function for the DRS citing a need to balance accountability with the independence of the DRS bodies. DRS office heads have periodic meetings with management and with the D-HRD to discuss the operation of their offices.
48. **Recommendation 5:** The DRS intranet page provides a basic explanation of the administrative review procedure. In 2016, HRD developed detailed procedural guidelines for the conduct of administrative reviews. It has not been published for staff as yet, but all relevant HRD staff are introduced to it.
49. **Recommendation 6:** GAO No. 31 was revised in 2016 and it is now incorporated into the Staff Handbook in Chapter 11.03, Section 5. The section sets out the process of the Grievance Committee, as well as the jurisdiction of the Committee. The Committee publishes redacted recommendations and case summaries on its internal webpage, and has developed a protocol on the principles and procedures which guides requests for production of records (electronic and/or hard copy) in its proceedings, which is made available on the Committee's intranet site.
50. **Recommendation 7:** As part of the revision of GAO No. 31 in 2016, language was introduced to clarify that any party to a grievance, can request the MD to overrule or deviate from the Committee's recommendations. Such a request must be provided to all parties who have received the Committee's report, i.e.: the MD, D-HRD, and the grievant.²

The two low-impact recommendations made in the 2013 report related to the extension of the initial appointment term of the Ombudsperson to five years with one renewal and the suspension of time limits for Administrative Review and Grievance Committee processes while a complaint on an alleged misconduct is pending with the OII. In the latter case, the practice has been to recommend that staff file a request for Administrative Review at or around the same time as their report of alleged misconduct to OII. This protects staff's position in terms of timeliness, as the D-HRD will wait for the outcome of the investigation before proceeding. The Ombudsperson's tenure is now initially 2 years, renewable for an additional term of 5 years, for a maximum of 7 years.

² GAO 11, Chapter 11.03, Section 5.20.