

**EXECUTIVE
BOARD
MEETING**

SM/22/143

Correction 1

STRICTLY CONFIDENTIAL

June 23, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Review of Institutional Safeguards**

Board Action: The attached corrections to SM/22/143 (6/9/22) have been provided by the staff:

Factual Errors **Pages 8, 37, 69** of the *External Panel of Experts' Review of the IMF's Dispute Resolution System*.

Questions: Ms. Purfield, HRD (ext. 36836)

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-Inspection~~ (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).

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/en/About/Our-Work/Office-of-Internal-Audit-Inspection) [Office of Internal Audit \(imf.org\)](https://www.imf.org/en/About/Our-Work/Office-of-Internal-Audit)

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 ~~OIA-OIA~~ 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.