

April 4, 2013
Approval: 4/11/13

INTERNATIONAL MONETARY FUND
Minutes of Executive Board Meeting 12/65-4
2:30 p.m., June 29, 2012

4. 2011 Diversity Annual Report

Documents: EBAP/12/70 and Correction 1, and Supplement 1

Staff: Plant and Paul, HRD

Length: 2 hours, 35 minutes

Executive Board Attendance

N. Shafik, Acting Chair

Executive Directors

K. Assimaidou (AF)

A. Fayolle (FF)

M. Furusawa (JA)

J. Mojarrad (MD)

B. Andersen (NO)

A. Mozhin (RU)

A. Alkholifey (SA)

D. J. Chia (ST)

M. Lundsager (UA)

Alternate Executive Directors

M. Saho (AE)

B. Lischinsky (AG), Temporary

S. Bultitude (AU), Temporary

S. Benk (BE), Temporary

K. Florestal (BR), Temporary

P. Sun (CC)

C. Balsa (CE), Temporary

M. O'Dea (CO)

S. Meyer (GR)

K. Eapen (IN), Temporary

D. Marchettini (IT), Temporary

S. Geadah (MI)

Y. Yakusha (NE)

B. Jajko (SZ), Temporary

R. Elder (UK)

J. Lin, Secretary

L. Psalida, Summing Up Officer

I. Teodoru, Board Operations Officer

M. Yslas, Verbatim Reporting Officer

Also Present

African Department: M. Lazare, A. Richter, A. Sayeh. Asia and Pacific Department: Y. Sun, P. Tumbarello. European Department: V. Stepanyan. Fiscal Affairs Department: C. Sancak. Finance Department: S. Prowse. Human Resources Department: S. Fennell, E. Kamau, S. Paul, M. Plant. Institute for Capacity Development: A. MacArthur. Legal Department: J. Lester, J. Morris, R. Weeks-Brown. Middle East and Central Asia Department: M. Ahmed, P. Ananthakrishnan. Monetary and Capital Markets Department: S. Korappath. Office of Budget and Planning: P. Abiye, A. Fedelino. Strategy, Policy, and Review Department: K. Elborgh-Woytek. Statistics Department: A. Burgi-Schmelz, A. San Jose. Technology and General Services Department: K. Letlaka Rennert. Western Hemisphere Department: V. Cerra, S. Medina Cas, G. Peraza Salazar, T. Turner-Jones. Executive Director: M. Majoro

(AE), P. Nogueira Batista, Jr. (BR). Alternate Executive Director: F. Alshathri (SA), A. Gronn (NO), H. Lee (AU). Senior Advisors to Executive Directors: A. Ally (BR), A. Holler (GR), A. Ismael (AF), A. Monajemi (MD), M. Nomura (JA), R. N'Sonde (AF), C. Poonpatpibul (ST), S. Rouai (SA), D. Sembene (AF), P. Fachada (BR), M. Zaher (MI). Advisors to Executive Directors: L. Alfredsdottir (NO), M. Atamanchuk (RU), A. Conceicao (AE), M. Merhi (MI), R. Ngugi (AE), J. Tucker (AE), R. Ward (UK).

4. **2011 DIVERSITY ANNUAL REPORT**

Mr. Furusawa and Mr. Nomura submitted the following statement:

General Comments

Promoting staff diversity is one of the most urgent issues that the Fund needs to address. This is important not only because the Articles of Agreement legally require the Fund to recruit staff on “as wide a geographic basis as possible,” but also as this would bring about material benefits to the Fund’s core business, as clearly stated in the IEO report on IMF Performance in the Run-Up to the Financial and Economic Crisis. Indeed, we believe that having a regionally diverse staff, with a broader range of professional experience and academic background, would increase the scope and sensitivity of the Fund’s antennae to catch, at an incipient stage, the causes of future crises.

Progress Made During 2011 and Recommendations for 2012

We appreciate the efforts made by management, the Diversity Advisor and the staff for the progress made during 2011. At the same time, we note that, as indicated in the report, much remains to be done to attain the targets that have been set for 2014. In particular, we remain concerned about the still-large deficiencies in staff diversity, both in terms of regional representation and nationalities.

Against this background, we believe that the recommendations for 2012 are sensible in that they reiterate the need to redouble efforts to enhance regional and national diversity. In particular, we welcome the recommendation to enhance representation from some larger nations that are represented by relatively low numbers in the Fund. Also, as this chair has strongly advocated, we strongly support the recommendation to link diversity competency to individual staff’s work performance by including diversity competency metrics in the annual performance review questions of all staff.

Going forward, we look forward to receiving concrete plans to implement these recommendations.

Mr. Meyer (GR) and Ms. Holler submitted the following statement:

We thank staff for the information provided in the 2011 Diversity Report and welcome the progress made in advancing the diversity agenda.

While many benchmarks are still away from being reached, the ongoing trends in demographic changes in the Fund staff are encouraging and testify to the overall success of the initiatives put in place. That being said, measures aimed at advancing diversity should continue to be carefully designed and well balanced to maintain the high quality of staff.

While the diversity scoreboard focuses on regions and gender, the concept of diversity should not be limited to these two areas. The work of the Fund can only benefit from a broader variety of views that can be achieved by a more diverse academic and professional background of staff members. Applying different “schools of thought” and utilizing different professional experiences, e.g. private sector, central banks and ministries, to analyze a situation can contribute to the Fund giving the best possible policy advice to its members. In this regard, the conclusions drawn from the survey of comparator institutions should facilitate an informed discussion of further policies to discourage uniformity in thinking. Additionally, last year’s Diversity Report offered a country-based overview of educational backgrounds of staff. We would be interested in an update of that table and in learning more about developments over the last five to ten years in that area, especially regarding new staff members.

When promoting diversity according to nationality, we have to find a reasonable balance between an even-handed approach regarding individual countries and keeping the diversity goals manageable. We agree that a scoreboard including all 188 member countries separately is not feasible. However, the aggregation to regions leads to the phenomenon of underrepresented countries in overrepresented regions and vice versa. We welcome that this situation is on the staff’s agenda and, going forward, ask staff to inform the Board on possible solutions, including the Externally Financed Appointees program.

Communication of diversity goals together with quality-based, transparent and even-handed personnel decisions is key, not only for the acceptance of the diversity initiative, but also for its success in the long run. The perception of certain groups that their career developments are jeopardized because of, for example, their nationality or gender will not only promote resistance against the diversity goals, but can also lead to dissatisfaction of staff members, which ultimately can negatively affect motivation and staff morale. Additionally, the perception that personnel decisions are not based on the quality of the work of a staff member, but are motivated by diversity goals, can endanger the reputation of the diversity initiative as well as the reputation and standing of the staff members

concerned. We are looking forward to transparent strategies to tackle these issues, taking into account that performance and competence remain the overriding factors determining recruitment and promotion decisions.

Mr. Andersen and Mrs. Alfredsdottir submitted the following statement:

We welcome the progress made in the implementation of the Fund's diversity policy and thank staff for the comprehensive material submitted to the Executive Board. The Fund will be a more efficient and effective institution through diversity, and the Fund needs professional diversity in order to stay competitive. We believe that the Diversity Scorecard has played an important role in measuring results and identifying deficits. Furthermore, we welcome the strong engagement by management in encouraging diverse views and condor and support the priorities and efforts being implemented in that regard.

We note, according to a staff survey, that there appears to be a growing resistance to diversity among staff being concerned that it will lessen the opportunities for advancement. We understand these concerns, and find it important for all that promotions and other personnel decisions are firmly anchored in the performance of staff. We were pleased to note in the report that promotion numbers for underrepresented staff does not suggest that "diversity drives promotions."

Overall, the Fund is on the right track with its Diversity Policy and we welcome the results so far. We stress that the guiding light in all recruitment and promotions within the Fund should continue to be qualifications and transparent processes.

Diversity of Thinking

Strengthening staff diversity in all its dimensions is necessary but not a sufficient condition to ensure an environment where diversity of thinking is encouraged and thrives. It was very disappointing to learn from last year's staff survey that only one out of four felt that the Fund has established a climate where staff can challenge the traditional ways of doing things, and less than half felt they could challenge the way things are done without fear of retribution. This underscores the need for a clear accountability framework, and a need to change incentives to encourage candidness and internal collaboration. Being receptive to diverse opinions inside the Fund, including speaking up to management, is important, and we strongly welcome management's initiatives in this area.

Diversity, Workforce Planning and a Consistent Benefits Package

It is important in our view to intertwine staff benefits, corporate workforce planning and diversity. There needs to be a mutually consistent approach. We think that the upcoming workforce planning discussions together with the diversity policy provide a natural basis for reviewing the benefits package to assess if the package and particularly its individual components are supportive of the workforce we would like to attract. We note that childcare benefits for children under 5 years are minimal for Fund staff. Might that work as a disincentive for younger professionals to join the Fund? The staff's comments are welcome.

Gender and Underrepresented Regions

We welcome the progress that has been made as regards to increasing the stock of staff from underrepresented regions, but as pointed out in the report this is taking place at a slow pace. Also, we are pleased to see that 48 percent of the 2012 EP class were women. This is truly noteworthy and a positive development. However, the proportion of women has dropped slightly mainly due to the high separation rate of B-level women. Does the Fund have any specific plans to address the departure of B-level women and thus improve the gender ratio at the B-level? The staff's comments are welcome.

We welcome that there is an increase in staff from underrepresented regions and also at the B-level. We are pleased that the Fund achieved 80 percent of its target in FY2012. As this ratio continues to improve, we would be interested to receive information on the gender ratio among staff from underrepresented regions and would like staff to include such data in future reports.

We believe that one way to increase staff diversity is through hiring Mid-Career Staff, but when observing the table on the subject it is noteworthy that fewer women are appointed, except if they come from European Transition Economies or the United States/Canada. This provides an indication that it might be more challenging for women to move between countries and resettle their families. Close monitoring of such trends and possible means to address concerns should be given attention. Also, we are interested in the family background of Mid-Career Staff.

Professional and Educational Diversity

Like last year, the report concentrates mostly on geographical and gender diversity and progress towards reaching benchmarks in this area. Professional diversity is mentioned, but not elaborated upon. We would like to see more focus on professional diversity. This can be achieved by hiring people from different backgrounds, e.g. more experienced financial sector experts in addition to macroeconomic theorists. Without micromanaging, we believe that the Executive Board has a strong surveillance role in this area.

We believe that it is unfortunate that the report reflects very little on professional and educational diversity. If there is not much diversity on these fronts it may result in uniform thinking and other cognitive biases. The IEO Report highlighted the same point in its evaluation of the IMF performance in the Run-Up to the financial and economic crisis.

Staff's Key Recommendations

We support further the examination of what constitutes quality, which would be based on current Fund priorities and the development of well defined competencies for all staff that would be used in the recruitment process to identify highly-qualified candidates. This overhaul would also include that the Fund would re-examine the approaches used in recruiting top candidates to see whether they are the most effective in attracting professionals that have recently or are about to enter the workforce (generation Y).

We are somewhat skeptical towards the notion that all staff should become “talent agents” for the Fund. We are concerned that this will not improve diversity within the Fund as professionals often prefer other professionals that share similar values and backgrounds as themselves. In light of the fact that the staff ratio of professionals from underrepresented regions and women is still unfavorably skewed, we see a risk that such an approach might further entrench that status.

We believe that Mid-Career professionals do bring numerous value added skills to the Fund as a result of their often extensive experience as professionals. This group is likely to be more diversified in thinking due to their background. We appreciate the knowledge that they bring to the Fund and are somewhat cautious on whether there is a need for a program in order to integrate them into the Fund's work culture.

We fully support that additional approaches are being considered to provide opportunities for nationals from member countries to gain experience at the Fund.

We agree that the Fund should monitor on a continuous basis both the stock and flow of data to identify “recruitment gaps” in major countries within a given region that are significantly ‘out-of-line’ with what might be considered a reasonable representation among Fund staff. We note that, for example, many countries in our constituency are strongly underrepresented.

We support that data is collected on nationalities of staff through a voluntary self reporting process linked to HR web.

Mr. Alkholifey and Mr. Rouai submitted the following statement:

We welcome the formal discussion by the Board of the 2011 Diversity Annual Report and thank the Diversity Advisor for her efforts and outreach and the Diversity Council for their work. We appreciate, in particular, the addition to the Report of a Discussion Note, but we would have preferred that the Note was included in the main Report and not as a supplement.

We continue to believe that the main asset of the Fund is its staff. Because our staff is the direct intermediary between the institution and its diverse members, their diversity is the best vehicle for projecting the legitimacy and effectiveness of the Fund. In order to achieve the Fund’s diversity goals, it is important to attract, develop, and retain a full range of diverse staff, and create a diverse and inclusive work environment.

We welcome the progress made in recent years in advancing the Fund’s diversity agenda. In this connection, we take note of the improvements in diversity demographics, including with regard to gender benchmarks and the increase in the share of B-level staff hired from underrepresented regions, as part of the B-level Diversity Hiring Initiative. We remain, however, concerned by the slow, and sometimes, limited progress in increasing the stock of staff from underrepresented regions.

In addition, as pointed out by the Diversity Advisor, diversity should go beyond benchmarks. In this regard, we are concerned by the low qualitative results of our diversity strategy, as reflected in Annex II which shows, for example, that Goal 3 (Ensure Fund membership diversity concerns are addressed) and Goal 4 (Achieve full buy-in by staff to Fund diversity

objectives and strategy) remain largely unfulfilled, with achievement rates representing respectively only 43 percent and 59 percent of the related target.

The target date of 2014 for the current diversity strategy is fast approaching and it is not clear to us how the 2014 benchmarks could be reached without renewed strong efforts by management and, particularly, Department Heads to further promote diversity and emphasize that it will benefit the whole institution and its staff and contribute to help the Fund to discharge its mandate and ensure the effectiveness of its policies. In this regard, we welcome the new emphasis on inclusion and the gradual integration of the diversity agenda into HR policies and practices, including in the Accountability Framework for Department Heads and the planned implementation next year of a Diversity Action Plan. We would appreciate further elaborations on the main aspects of these initiatives.

It is also important to ensure that staff across departments is convinced by the benefits of diversity in the Fund and that recruitment and career development will remain based on qualification and merit. The Fund should take seriously both the concerns of staff expressing resistance to diversity and also those from underrepresented groups who feel uncomfortable with the “backlash” and who consider that further progress to entrench diversity in the Fund are still needed. In this regard, and in order to provide additional comfort to all staff, it could be useful for the Fund to undertake a discrimination review exercise similar to the one conducted in 1996 which “enabled any staff member to request a review of any Fund action that he or she regarded as discriminatory and to have had an adverse effect on Fund employment or career, no matter how far in the past these events has occurred.” The staff’s comments are welcome.

Despite the efforts to seek recruitment from the Middle East region and the introduction of the B-level Diversity Hiring Initiative, the diversity outcome for the Middle East region, as compared with the 2014 benchmark, remains unsatisfactory, although we appreciate the results achieved for FY2012.

As an example, the share of Middle Eastern nationals among Fund economists declined from 6.5 percent in 1997 to 4.3 percent in 2011, while that of specialized career streams declined from 4.5 percent to 3.8 percent. In addition, against a diversity benchmark of 8 percent for 2014, Middle East staff representation at the A9-B5 level declined from 4.5 percent in 2006 to 4.4 percent in 2011. The situation is not better with regard to the

representation of Arab nationals who still account for only 3.0 percent of total staff.

The only encouraging result is the increase of the Middle East staff representation at the B level to 3.8 percent in 2011 from 2.8 percent in 2010, although this result remains well below the diversity benchmark of 5 percent. In this connection, we welcome an update from staff on the recent initiative to recruit women from the Middle East.

The limited progress in enhancing the representation in the Fund of staff from the Middle East region, in particular Arab nationals, is a long standing issue and should require, in our view, a targeted strategy. We suggest that management set up a working group comprising the Diversity Advisor, staff from HRD, and senior staff from the region. The working group could consider, for example, how to improve internal Fund procedures relating to external recruitment, career development, and promotion.

Finally, we broadly support the addition of inclusion in the diversity statement. It is important to indicate that the Board had an important role in the drafting of the original statement in 2007 and that the final version was approved by a Board decision. We therefore see the need for the proposed changes to be also approved by the Board. In this regard we propose the following changes to the text in Box 2:

We prefer that the statement remains concise and covers only diversity and inclusion. We suggest, therefore, to delete the last paragraph;

We propose to add “equal opportunities and” after “is assured” in the last line of the second paragraph.

Mr. Assimaidou submitted the following statement:

We welcome the opportunity to discuss the 2011 Diversity Annual Report (hereafter the Report) and thank the Diversity Council and the Diversity Advisor for it.

In spite of the multiple pro-diversity initiatives taken in the past several years, the Report notes that progress toward the Fund’s diversity benchmarks remains mixed. On the one hand, we welcome the significant inroads that were commendably made toward enhancing gender diversity, notably with the increase in the share of women hires at A9-A15 and the original benchmarks for B-level women being met four years ahead of

schedule. On the other hand, it becomes increasingly likely, as time goes by, that most diversity benchmarks for underrepresented groups will not be met by 2014, as originally intended. For Africa in particular, the Report indicates that its share of Fund economists stagnated and its B-level staff representation deteriorated in FY2012. As such trends contribute to further narrowing chances for meeting diversity benchmarks in a timely manner, we believe that they should be reversed. In addition, regarding women representation at B-level, emphasis should be put on avoiding complacency following recent progress, in light of the reversal in the upward trend of the ratio of women at B-level in FY2012. To this end, given that the currently weak prospects for the Fund to recruit en masse, we concur on the need for management to explore new avenues for accelerating progress toward the benchmarks for underrepresented groups, as recommended in the Report.

In this regard, options to enhance diversity through career development and promotions are worthy of consideration, as suggested by staff. Clearly, this will not be an easy task, as caution will need to be exercised not to introduce any bias in favor or against staff from either overrepresented or underrepresented regions. Indeed, care needs to be taken to avoid that any diversity-enhancing initiatives fuel either the growing resistance to diversity among staff or the uneasiness by women and staff from underrepresented regions with related misperceptions about the basis of their career progression, as evidenced in the 2010 staff survey.

That said, while the idea of granting special favors to some staff based on their background, gender, and other characteristics would be counterproductive and inadvisable, having an uneven playing field would ultimately have damaging repercussions on the Fund's ability to ensure good staff morale, to retain qualified staff, and to promote the sense of inclusion among them. As progress toward the diversity goal related to the provision of a level playing field is not assessed in the Report, we thus look forward to being provided with up-to-date information about Fund's performance in this area in future Board discussions on diversity.

Recruitment and Promotions

We are pleased to note that the recent adoption of the new gender-based recruitment benchmark requiring gender parity in all A9-B5 hires was instrumental in boosting the share of women among hires at professional grades. At the same time, it is noteworthy that there was overall a setback in the recruitment of staff from underrepresented regions, with their share of recruits decreasing from 45.3 in 2010 to 42.5 percent in FY2012. At

the B-level, we note that no women were recruited in FY2012 and Africa has been the sole underrepresented region that has seen its ratio slip during the same fiscal year although separations have been at play.

Going forward, we believe that conscious efforts will need to be made to ensure that progress toward geographic diversity benchmarks do not come at the cost of a concurrent lack of progress toward gender benchmarks and vice-versa. Such scenarios could arise in a number of instances. For example, while welcome, the Diversity Shortlist Protocol which requires the final shortlist for all A15-B3 vacancies to include at least one competitive candidate from an underrepresented regions or a woman could lead to systematic substitution between geographic and gender diversity choices. Similarly, the required gender parity in hiring could make it more challenging to recruit more staff from underrepresented regions.

With regard to promotions, we find a number of facts documented in the Report to be of major concern. Tables E and F provide evidence about a marked decline in the promotion rate for B1 staff from the underrepresented regions in FY2012 as well as staggering differences in the rates of promotions to B1 between staff from underrepresented regions and those from other regions (7.7 percent vs. 92.3 percent). Moreover, Table 12 of Annex I shows that the average time in grades A14 and A15 for African staff is not only persistently higher than for staff from any other regions, but also lengthening over time. As a matter of fact, as of FY2012, an African staff stays about seven years on average in grade A15 whereas the typical Fund staff is promoted to B1 level in less than five years.

We thus call for a thorough review of the promotion process involving staff from underrepresented regions, with the aim of assessing its consistency with existing promotion criteria and proposing corrective measures, as warranted. We would expect such a review to examine the criteria by which Fund departments and divisions propose to Review Committees staff that are eligible for promotions as well as the transparency and objectivity of these criteria. It is noteworthy that such a review would not only help determine whether the playing field is even by assessing the consistency of promotion decisions about staff from underrepresented regions with existing promotion criteria; but it would also help ensure that these staff are not unfairly promoted at the expense of staff from other regions. The staff's comments are welcome.

We urge management to consider ways of enhancing diversity among key departmental decision-makers, including SPMs and Division chiefs. While SPMs and Division Chiefs from underrepresented regions account

respectively for only 10 and 15 percent of Fund SPMs and Division Chiefs in FY2012, we note from Table H that these figures have broadly been stable in the past two years. We encourage management to work on reversing this trend and consider whether the introduction of indicative benchmarks on the share of SPMs and Division Chiefs from underrepresented regions would be helpful.

Diversity Benchmarks and Diversity Scorecard

We are appreciative of the steps that are being taken to stimulate further progress toward the diversity benchmarks. In particular, the establishment of the Advisory Committee on recruiting B-level staff from underrepresented regions is welcome. Incidentally, we would appreciate it if staff could elaborate on the activities of this committee since it was put in place in March as well as on its work program. Moreover, the launch of the B-level Diversity Hiring Initiative is promising and we note that it helped to hire four senior level candidates in FY2012 from underrepresented regions.

While we agree that the diversity scorecard has been useful in measuring progress toward Fund objectives, we note that the results on only one (Goal 1) out of the four diversity goals of the Fund are reported in the Report. For this reason, it is difficult to assess the progress made in the last financial year in terms of providing a level-playing field (Goal 2), addressing the diversity concerns of the membership (Goal 3), and ensuring adhesion of staff to the Fund's diversity objectives and strategy (Goal 4). In this connection, while data limitations along revisions to the scorecard are cited among the factors that prevented monitoring of progress toward these diversity goals, we note that to date only a third of the modest costs of the scorecard revisions and system modifications—which amount to about \$300,000—have been approved in the coming capital budget. Could staff elaborate on the rationale for this parsimonious approach and provide assurances that the prompt and effective completion of this critical project will not be unduly delayed because of budgetary considerations? While we understand that all of the amount may not be needed at once, it is important that proper monitoring of progress toward diversity goals (notably by the Board) be not undermined again in the future.

Response to the 2010 Staff Survey

In response to the 2010 Staff Survey, the Diversity Action Plan developed is a step in the right direction; as is the planned establishment of a core curriculum to help staff acquire skills for effective engagement in a

diverse workplace. Furthermore, the stated intention by the Diversity Office to articulate the business case for diversity and its importance for the Fund to fulfill its key roles is welcome. In addition to this persuasive approach, one that entails notably the introduction of a strong accountability framework may thus be needed to ensure managers' adherence to the ideal of a suitably and appropriately diverse Fund since, as reminded in the Report, this is among the central rules and regulations governing the staff.

Role of the Executive Board

Noting that all of the recommendations made in the Report are only intended at Fund management and departments, we are tempted to ask the staff whether they see a formal role for the Board in the process of setting diversity objectives, designing a diversity strategy, and monitoring progress. Although we understand that most of these tasks largely fall under the purview of management, we see ample scope for the Board to be involved in the monitoring of progress toward diversity objectives. In this regard, we also expect that management will keep the Board abreast of the implementation of the accountability framework it has recently developed for department heads and which incorporates Goal 1 of the Diversity Scorecard. The staff's comments are welcome.

Mr. H. Lee, Ms. Bultitude and Mr. Lee submitted the following statement:

We thank the Diversity Council, its Advisor and the Office for their efforts to improve diversity at the Fund. It is very appropriate and timely that they reminded the Board and staff of the business case for diversity in the report, and encouraged staff to reinforce efforts to make progress towards the diversity goals, as we have limited time but sizable gaps for the 2014 benchmarks.

Staff diversity is essential for further enhancing legitimacy and effectiveness of the Fund. It also gives a natural ground for an attractive workplace to "the best and the brightest" with diversity of thoughts, of which the Fund was found to be short in the 2011 IEO evaluation report on the Fund's performance in the run-up to the 2008 financial crisis. We strongly support the Fund's continuing initiatives to promote staff diversity.

The Fund staff has become more diverse than before, but the pace was slow and uneven in the past year (Table A): at the A9-B5 level, the proportion of Middle East even decreased, and all the underrepresented regions except Transition Countries are far behind the benchmarks for 2014; at the B-level,

all benchmark indicators for the underrepresented groups are below the indicative targets for 2012. These results underscore the need for reinforced efforts to reach the 2014 benchmarks, and since the pace of employment growth has recently stalled, bold measures should be developed.

In this context, we commend TGS for the success in their global recruitment campaign, which resulted in a large increase in staff from underrepresented regions. We note their proactive outreach to find talent showed a model that the Fund diversity drive should follow.

We think that the large gap between the share of B-level staff from the underrepresented regions and the benchmark for 2014 demonstrates intrinsic difficulties in this area. We acknowledge that increasing external recruitment for B-level staff is a difficult challenge, as B-level staffing requires extensive experiences within the Fund as well as high level of knowledge and skills. Could staff comment on the impediments that undermine B-level hires from the underrepresented groups? Accordingly, we welcome the initiatives for B-level staff diversity such as the launch of Advisory Committee on recruiting B-level staff from underrepresented regions and revised B-level gender benchmarks and new gender recruitment benchmark. While we commend staff for the success of B-level Diversity Hiring Initiative, we wonder how much further the initiative could be developed, in light of its temporary nature. Comments would be appreciated.

Relatedly, we take note of the finding that promotions at the Fund were not driven by diversity and continued to be based on the established criteria. We note that there is no diversity benchmark for promotion of underrepresented groups, but believe that promotion should be the main driver for B-level diversity at the Fund. In this regard, we support the approach to identify the best practices that would support the advancement of those groups, and the recommendations of development of innovative career development approaches and of building a pool of potential candidates. We would welcome further information on these initiatives.

As diversity strategy requires an institutional change, it may be transitionally accompanied by some concerns among staff. However, the reportedly continuing misperception about the rationale and growing resistance to diversity found in the 2010 staff survey may act as an impediment to diversity agenda and eventually undermine the envisaged fruits by blocking flows of diverse thoughts across the institution. As inclusive environment could help diverse perspectives be shared among staff, broadening the focus on workplace inclusion, without diminishing efforts to

accomplish benchmark targets, is appropriate. As merely making the demography of staff resemble the membership composition won't produce better performance, it is very critical to integrate diversity into the Fund's work process. In this regard, we welcome both the use of the Diversity Scorecard in Accountability Framework to assess department director's performance, and the development of Staff Survey Diversity Action Plan to integrate diversity and inclusion into HR practices. We believe that strong commitment and meaningful feedback by management is the key to ensure that diversity score is linked to the performance appraisal of all managerial-level staff.

Perhaps more importantly, we strongly support the proposal to engage in an examination of what constitutes 'quality' based on current Fund priorities. We see great merit in a discussion of the skills, values and culture the Fund demands to maximize its effectiveness. The outcome of such discussions could inform the Fund's human resources strategy, with relevance not only to recruitment, but also to internal promotions, organizational structure, and staff training and development. In terms of specifics, in addition to acknowledging the excellence of a broader range of universities, we would emphasize the importance of skills in being a 'trusted advisor' and developing constructive relationships, which are just as important to the Fund's effectiveness as the quality of its economic analysis.

Finally, we note that the access to timely and reliable HR data is a central part of the diversity infrastructure. With this in mind, we encourage staff to move expeditiously reporting of diversity data and the scorecard toward a real-time basis.

Mr. Pérez-Verdía and Ms. Balsa submitted the following statement:

We welcome the opportunity to discuss the 2011 Diversity Annual Report at the Board. As it was the case last year, we consider this as an opportunity to not only monitor the progress made so far, but also to improve in the areas where more gaps have been identified, as well as to better embed the diversity policy among Board members together with management and staff.

At the outset, we want to thank the Diversity Council and the Diversity Advisor for the report and, in particular, for the quantity of information provided not only on benchmarks and improvements but also on the initiatives developed last year. Keeping the momentum for improving diversity is a

positive result to be welcomed in itself. Even if some results have been worse than expected, we note the progress made in implementing the reform agenda.

We will make only two specific comments.

First, on the diversity agenda itself we think that it clearly needs to be completed and presented as a broader agenda, including other issues which have been commented at previous Board meetings, in particular diversity in educational background and in professional experience. In this regard, we welcome the Discussion Note on Broadening the IMF Diversity Agenda, and would like to see it as part of the agenda and the main report. In our opinion, it would give a wider picture of diversity challenges. In fact, looking at the Diversity Report's list of contents it would seem that only Diversity in Demographics is on the agenda (even if this part of Diversity Demographics also includes references in the text to Gender Diversity).

During the Board discussion on the 2010 Diversity Report last year, directors already made the point on the value of greater experience and expertise diversity among staff in fostering an effective workforce. Moreover, the point was also made on the need to coordinate efforts in this regard with those on monitoring and implementing the recommendations of the IEO Evaluation of IMF Performance in the Run-Up to the Financial and Economic Crisis. Many directors also emphasized the potential for strategic use of mid-career appointments to help catalyze institutional cultural change.

As this chair stated at the last Board on the IEO report, diversity can be seen from many angles, which certainly include gender and regional criteria; however, even more importantly, we think efforts should be placed on enhancing diversity in terms of professional and academic backgrounds. Initiatives in this respect are welcome.

On educational background, in particular, we welcome the recommendation to engage in an examination of what constitutes quality bases on current Fund priorities in order to improve the recruitment process to identify highly-qualified candidates.

In the case of professional experience, we also welcome the recommendation to engage all staff in serving as "talent agents." Nevertheless, last year a recommendation was also included for member countries in order to strengthen diversity support. At that moment we found interesting the suggestion to "feel free to refer qualified professionals from their countries." Nevertheless, we proposed staff and management could also contribute to this

goal by lessening the “barriers to entry” through some kind of user-friendly procedure to become aware of the recruitment processes and new job openings. In our opinion, this could help member countries to better contribute to the search for the most-qualified professionals.

Second, the report points at an important problem which reflects the difficulty in deciding the appropriate timing for the implementation of benchmarks and how this is affecting new recruitments and promotions. This seems to be a concern for staff, but the trade off is a slower path toward reaching the benchmarks. We would appreciate further elaboration on how this trade off is being implemented and how it affects new recruitments and promotions. We would also appreciate further clarification on the innovative ways suggested for increasing the numbers of staff from underrepresented groups at the B level, referred to as innovative career development approaches, and ways to enhance the pipeline for promotions.

Mr. Saho submitted the following statement:

We welcome the opportunity to consider the 2011 Diversity Annual Report and thank the Diversity Council and Advisor for the comprehensive report. We broadly support the thrust of the analyses and recommendations, and will thus limit our observations to the areas which we strongly deem require greater attention and effort by the Fund.

We recognize that some progress has been made during the review period in advancing the diversity agenda at the Fund. We take note of the incorporation and planned roll out of key Scorecard goals into the new Management Accountability framework and the Diversity Office’s continued engagement with staff, including through intercultural awareness workshops. We also strongly support HRD’s targeted recruitment missions to underrepresented regions to source staff. This has provided opportunities for highly qualified persons, who would otherwise not have a chance to try out for Fund work, to be considered for recruitment. In addition, the staff survey of the experiences of comparator institutions with important aspects of diversity provides useful insights and important lessons which could meaningfully inform the Fund’s strategy going forward.

The heightening backlash by staff to diversity, indicated by the outcome of the 2010 staff survey, underscores the enormity of the challenge the Fund continues to face in its pursuit of the agenda on diversity and in its attempt to pursue a culture of workplace tolerance. Similarly, the growing concerns of staff from underrepresented groups over the negative perceptions

of their career progression could be demoralizing and adversely affect work output. We consider this a clear manifestation that the diversity infrastructure, including the departmental Diversity Reference Groups in place since 2007, has not been quite effective in fostering inclusion and raising awareness. Given the need for a more interactive approach to addressing the issue, we welcome the establishment of the Diversity Action Plan which seeks to further integrate the diversity strategy into the Fund's broader HR policies and practices. However, a detailed matrix of measures and accompanying timelines would be helpful in guiding and assessing implementation of the Plan.

As acknowledged in the report, progress towards achieving the diversity benchmarks has been mixed. We are particularly concerned that the share of African economists across the Fund has not only remained unchanged but that the number at the B-level, which was already quite small, declined sharply. This clearly underlines the disappointment of African Governors that progress towards the full attainment of the 2014 benchmarks and in the broad implementation of the Fund's diversity agenda has been slow. We, therefore, continue to repeat their demands for greater progress in the recruitment, promotion, and career development of Africans and nationals from other underrepresented regions at all levels of staff.

We welcome the adoption of the new recruitment benchmark for women at the A9—B5 hiring category and the Fund's B-level Diversity Hiring Initiative aimed at increasing the hiring of competitive senior level candidates from underrepresented regions. It is thus encouraging that the share of women among professional hires is on the increase, with recruitment into the EP program especially significant. While this represents some progress, the report fails to highlight the regional composition of women hires which, if not closely monitored, could skew recruitment away from the underrepresented regions, thereby undermining the entire diversity agenda. Could staff provide a regional breakdown of women hires?

The recent campaign by the TGS to source and hire staff from underrepresented regions is commendable and confirms the extensive pool of highly-qualified candidates from these regions prepared to render their professional services to the Fund. We are encouraged that the initiative has resulted in some increase in the share of A9-B5 staff from underrepresented regions in TGS and at the department's commitment to draw on the pipeline for future recruitments. While current efforts by HRD to replicate this approach are laudable, it would be helpful if the HRD could explain its strategy, if any, for ensuring that candidates from underrepresented regions

are not stuck endlessly in the pipeline of potential recruits having successfully completed the HRD interview process.

Finally, we consider diversity among the Fund's senior HR decision-making cadre (Department Directors, Senior Personnel Managers, and Division Chiefs) critical to achieving the Fund's overall diversity objectives. While this is not an explicit benchmark of the diversity strategy, the continued low proportion of underrepresented groups is a cause for concern. We are of the view that improving the share of the underrepresented in this category and promoting diversity of thoughts, would go a long way towards addressing the daunting challenge of advancing diversity demographics within the institution. The staff's views on proactively overcoming this challenge will be welcomed.

Mr. Chia, Mr. Poonpatpibul and Mr. Kith submitted the following statement:

We thank the Diversity Council and the Diversity Advisor for a well written and candid report. Over the years, the Fund has made commendable progress on the diversity agenda; however, there remain challenges particularly in increasing the share of B-level women staff and staff from underrepresented regions across different levels. Although the recent survey has indicated that the diversity approaches adopted by the Fund are broadly in line with the best practices of comparators, we encourage the Fund to build on the existing policies to strengthen the diversity agenda further. As the recommendations are broadly sensible, we would limit our comments to the followings:

The report indicates that the Fund achieved, on average, 80 percent of its target in FY2012. This is commendable, but not a cause for complacency. Diversity benchmarks for underrepresented regions are still substantially below quota shares, particularly at the B-level. With benchmarks substantially achieved, benchmarks need to be moved further. We would be interested to know how the benchmarks are set since they appear not to bear any consistent relationship with the quotas.

The initiatives to advance the representation of women at senior levels are important but should not be at the expense of advancing the representation of underrepresented regions at senior levels. And the initiative to advance the representation of certain large countries should not be at the expense of smaller countries in underrepresented regions.

The diversity agenda for the year ahead acknowledges that to meet the 2014 benchmarks, the Fund now needs to go beyond recruitment and identify practices that would support the advancement of underrepresented groups in the Fund. Our chair would emphasize that such practices are most relevant for advancement into the B-level and to the most senior levels of the B-level. We would highlight that East Asia, together with Transition Countries, are the most underrepresented regions relative to quotas among Economists at the B level. We are concerned at the low and declining promotion rates highlighted in the report for promotions to and from B1. We would appreciate data from staff on promotions within the B-grade, including those that came in under the B-level Diversity Hiring Initiative. Our chair would emphasize that the business case for diversity set out persuasively in the report is most effectively served by having adequate diversity at the senior levels of the organization. Measures are urgently needed to ensure that promotions into and within the B-level of candidates from underrepresented regions are advanced. On-boarding program proposed in the report is potentially useful, but far from sufficient. Measures to ensure a level-playing field in advancement is particularly important for mid-career hirers who, all else being equal, suffer various disadvantages of lacking an internal network, facing the difficult task of breaking into an established social milieu and hierarchy of relationships, engaging in the unpopular task of challenging comfortable habits of group-think among influential incumbents, and not having their prior experiences outside the Fund sufficiently recognized.

We note the recommendation to engaging all staff to serve as “talent agents” for the Fund. We would advise the Fund to exercise great care in how it approaches the names identified by its internal “talent agents.” The Fund needs to be aware of the sensitivities of directly approaching candidates from member authorities. If pursued insensitively or excessively, this has the potential to undermine the relationship with member authorities and even in the extreme undermining the capacity of member authorities. These issues are relevant in the private sector among competitors and the Fund should be held to a higher standard. The staff’s view is appreciated.

Importantly, the diversity strategy cannot be a stand-alone strategy and therefore needs to be integrated into the Fund’s broader strategy. We underscore that the diversity issues need go beyond attempting to reach the benchmarks in terms of nationality, gender, culture, academic background and regional representation. They need to include creating the work environment that welcomes the diversity of thought. We would appreciate if staff could articulate about further works in collaboration with HRD and other departments on this front.

Mr. Sun and Mr. Tao submitted the following statement:

We thank staff for conducting the annual diversity review and developing a broad Diversity Action Plan for the coming year to help further integrate diversity into the Fund's HR policies and operations. We also thank management, department heads, the diversity council, and the diversity office for their continued efforts in promoting diversity as widely as possible in all areas, including nationality; gender; academic, cultural, and professional background, etc. All these efforts are further steps in turning the Fund into a truly international institution.

We broadly concur with the diversity advisor's view that the Fund's diversity agenda has advanced in the past fiscal year and the gap to the 2014 benchmarks has been narrowed. We would limit our comments to the following.

We observe that the pace of increase in the number of staff from underrepresented regions remains slow, reflecting the continued insufficient voice power of Africa, the Middle East, East Asia, and other emerging countries in the current personnel composition. The increase in calls for a more diversified B-level staff deserves particular consideration. In addition, it would be useful if the statistical data for overrepresented regions could be added in the diversity table, so that one could form a panoramic view of the current diversification of staff and have a better idea of how much work lies ahead.

With regard to recruitment, we take note that one third of the 2012 Economist Program class is from underrepresented regions, which is commendable. However, this is not sufficient to change the status from these underrepresented regions. If the percentage for the underrepresented regions continues to stay below 50 percent, the gap compared to the overrepresented regions will not narrow down but will be even wider.

While we are of the view that external finance could be a temporary way to add staff from underrepresented regions to the Fund and contribute a diverse value to decision-making and the quality of policy advice, we look forward to seeing diversity in the high-level human capital structure which, in our view, would be instrumental to lead the substantial change in the overall configuration.

Last but not least, management and departments need to work more closely to further implement the diversity plan effectively. On the one hand, most recommendations in the paper are sensible and encouraging. On the other hand, the Fund seems to face budget constraints and has limited vacancies, especially for B-level staff. Against this backdrop, how can the broadened diversity agenda be effectively implemented?

Mr. Virmani and Mr. Eapen submitted the following statement:

We commend the Diversity Council, the Diversity Advisor and the Diversity Office for the 2011 Diversity Annual Report and the discussion note on the issue. The report and the note have taken into account the Board's concerns reflected in the discussion on the 2010 Report and moved the discussion of the diversity concept forward.

For those of us from emerging economies, enhancing staff diversity is a part of larger governance reform and has to be recognized as such. Viewing diversity through the sole prism of increasing shares of women and of staff from the unrepresented and underrepresented regions has resulted in measuring progress (or reverses) solely against numbered benchmarks to be achieved by 2014; while we hasten to add that this is indeed a start in meeting diversity objectives and there is no question that 'diversity demographics' are important, it should surely, by no means, be not the only objective in achieving diversity. In fact it appears that the over reliance on such numbered benchmarks has not achieved its purpose and has on the other hand lead to widespread discontent both among those staff coming under the 'diverse' definition as well as among the 'non-diverse' staff as evidenced in the 2010 Staff Survey findings and also from staff interaction. We welcome therefore the IMF Diversity and Inclusion Statement in Box 2 of the report which appears to substantially broaden the concept.

Broadening the Diversity Agenda

The Diversity Advisor also appears to recognize this lacuna in the foreword to the 2011 diversity report when she recognizes the need to redouble efforts to reach the 2014 benchmarks and at the same time broaden the definition to focus on inclusion. This is essentially the right approach in our view. Diversity cannot result just from affirmative action or reservation—the Fund has to approach it from the point of how diversity could improve benefits for itself through greater productivity, more innovation and participation as well as through quality improvement and in enhanced effectiveness and reach.

We therefore broadly support the work identified under the ‘recommendations’ in the discussion note (summarized in Section IV under Key Recommendations) and also identified in the 2011 Report in Section V—Conclusions and Recommendations. However, we have some reservation with the recommendation to engage all staff in serving as ‘talent agents’ for the Fund as this might result in limited pools—not so much as in increased recommendations from the so-called over-represented countries but from the institutions from where the majority of staff has graduated. We would urge a stronger approach initiated from HRD itself to identify institutions worldwide for potential recruitment as mentioned at paragraph 13 of the note.

In this connection we note that the recommendations have broadly arisen from a survey of best practices of ‘comparator’ institutions. We note however from the list of public and private sector institutions that these are either United States—or Europe-based. Diversity in their context has many different connotations from what we are trying to achieve. We would have liked to have had the experiences of large regional organizations like the Asian Development bank, the African Development Bank and other international organizations, including United Nations bodies, taken into consideration, before the recommendations were finally arrived at.

Relook at Diversity Benchmarks

The benchmarks are set with a target date of 2014. From the Report of the Task Force on Diversity Benchmarks, it appears that the Task Force considered indications such as number of countries of regions, the number of Fund—supported programs, population and staff work related to each region as additional supplements to quotas, as yardsticks for measuring nationality representation. Now that we are approaching the target date it might be time to take a relook at the process of arriving at the benchmarks as all these indications appear to have problems in and as much of themselves (not least the quotas themselves—which is the starting yardstick for the benchmarks.). Moreover, these indications do not seem to reflect the broader understanding of diversity alluded to earlier.

We thus request a discussion in the next Diversity Report focusing on the benchmarks—how they work in practice in looking at regions and countries, whether there is broad acceptance in the way they are applied in appointments or promotions and indeed whether there is an understanding and appreciation among staff of how they calculated. As we noted earlier there is a strong perception among both kinds of staff—whether justified or otherwise—

that the diversity policy is flawed. The HR Department could therefore consider the suggestion by Mr. Alkholifey and Mr. Rouai that it could be useful for the Fund to undertake a discrimination review exercise similar to the one conducted in 1996 which “enabled any staff member to request a review of any Fund action that he or she regarded as discriminatory and to have had an adverse effect on Fund employment or career, no matter how far in the past these events has occurred.”

Finally, we would also encourage a re-examination as to how large populous countries or regions (with their pre-existing diverse populations) at one end and very small thinly populated nation states (that might be part of larger regions) at the other, need to be treated while looking at diversity. The existing benchmarks appear to confuse the issue by arriving at conclusions on over-representation or under-representation by dealing with the issue in a purely mechanistic manner. Ultimately diversity relates to people and their diverse experiences, education and environment. As around one-sixth of the world’s women and men live in our constituency and have extremely diverse cultures surely the Fund should look at ways of taking into account this fact and work out reasonable representation at all levels appropriately.

Mr. Gibbs and Mr. Elder submitted the following statement:

Overall we thank staff for the comprehensive report and can support many of the proposed recommendations.

We support the Diversity Agenda. We continue to believe that the IMF will be most effective if its staff are drawn from as broad a range of potential employees as possible. This should help to ensure that the organization recruits and maintains the best possible people, is less prone to group think, and is perceived by its membership as legitimate and evenhanded.

The Diversity Report suggests that the organization took decisions under its control (on recruitment and on promotion) to move towards a more diverse workforce and achieve the scorecard targets. Unfortunately some staff from underrepresented groups chose to leave, which offset the progress we would otherwise have made. Are there any lessons to be drawn from the unusually high separation of staff from underrepresented groups over the last year? We note that the first recommendation in the report is to increase the pace of progress towards the diversity targets. Here we would caution against trying to offset the effect of staff separations too quickly, especially if it could create excessive distortion in recruitment and promotion decisions.

It is a concern that staff morale appears to have been damaged by the diversity agenda. This is evident in the staff survey. We also regularly hear complaints from staff on this issue. We strongly support the proposal to try to improve communication in this area. Since this is such an analytical institution, we would recommend efforts are taken to demonstrate analytically that the diversity agenda is not biasing promotion prospects. That might help to offset any backlash against underrepresented groups, and to convince overrepresented groups that they are not being unduly discriminated against.

We also hear complaints that since the diversity scorecards are applied at the Departmental level, it has severely constrained staff movement between departments, especially from staff members from over-represented groups. Since we believe that movement of staff between departments is beneficial we are keen that steps are taken to ensure that this is not an unintended consequence of the diversity agenda. Do management recognize this issue? Is it being monitored? What steps could be considered to ensure it is not an issue?

We agreed with almost all of the recommendations in the Annual Report and the Discussion Report. As noted above, we caution against moving too aggressively on attempting to increase the pace of progress. We also caution against placing too much store on multiple nationality, which would be difficult to monitor consistently. So we agree that the diversity benchmarks should focus on primary nationality. We would welcome more detail from staff on the proposal to link diversity to performance.

Finally, we note that the ultimate goal of the diversity agenda is to enhance the effectiveness and legitimacy of this institution. While diversity is a legitimate goal in itself, it is also an intermediate step to improving effectiveness. It is probably impossible to assess whether the diversity agenda is making the organization more effective. But it is important not to lose sight of the ultimate objective and so to be aware that there could be unintended consequences of the policy. We encourage management to monitor both the benefits and the costs of these policies. Doing so openly may help to overcome the apparent negative impacts on staff morale.

Mr. Yakusha and Ms. Martinis submitted the following statement:

We welcome the progress made in increasing diversity at the Fund and the enhanced efforts by management to include diversity among the priority areas of the reform at the Fund. The messages from management are an important step toward changing the mindset of staff, reducing resistance to

changes, and challenging the traditionally established views. We would encourage our Diversity Office to work more closely with the Independent Evaluation Office of the Fund in order to tackle the syndromes of a ‘tunnel vision’ and ‘groupthink’ simultaneously from different directions.

In this context, we continue to consider educational and professional diversity as one of the crucial elements in achieving true diversity of thought in the Fund. We welcome the recommendations made in the Discussion Note, but believe that more needs to be done to achieve broader awareness among the decision makers and staff, especially in terms of recognizing the value of various university backgrounds. As regards professional diversity, we also suggest that gaining experience outside the Fund for a temporary period should be widely encouraged as well as taken into consideration in promotions.

The Diversity Report rightly emphasizes the need to develop new approaches for increasing the pace of progress towards the 2014 benchmarks. In that respect, we fully welcome the new proactive initiatives, including the on-site recruitment missions to underrepresented regions, the EP recruitment missions to foreign universities, the B-level Diversity Hiring Initiative and the TGS Global Campaign. These are valuable measures that could also prove useful going forward, as they create a pool of potential candidates for future vacancies. On the latter, however, it is somewhat disappointing that this complex and costly hiring process resulted in only 13 hires in TGS. What have been the obstacles for not having a larger number of hires achieved through this initiative? Are there any similar initiatives planned in the future for other departments?

While the recognition of the importance of diversity is commendable, the new initiatives also require adequate budgeting support. In particular, we learned that the drop in the number of EP recruitment missions from 32 in 2010 to only 7 in 2011 was mainly due to financing constraints. In addition, the fast fulfillment of the four positions funded by the B-level Diversity Hiring Initiative indicates that there may be space for expansion of the program, if additional funds are made available. Thus, we encourage management to consider the budgetary aspect of the diversity agenda.

We welcome the progress towards regional diversity, but recognize that important challenges remain. In particular, while the overall representation of transition countries has reached the 2014 benchmark, we are disappointed to see that their share among the B-level staff is the lowest compared to other underrepresented regions (at 2.2 percent) and has stagnated

over the past two years. Unlike some other regions, we are of the view that finding a pool of highly qualified candidates should not pose a major problem, both externally and internally, especially in light of the relatively high representation of transition countries in A9-A15 level staff (9.3 percent).

On gender issues, we welcome the upward revision of the 2014 benchmarks and the introduction of the new gender recruitment benchmark, as we note that the initial targets were clearly not very ambitious, especially, if compared with other IFIs. Despite increased efforts, we note the share of women among high-level staff remains unsatisfactory, and has even decreased over the past year. We continue to feel that there is scope for improvement of conditions and a refocusing of benefits for staff with young families, and of supportive policies for staff spouses in finding appropriate employment. Such measures would create a better enabling environment for staff—men and women—who combine professional ambitions with responsibilities to their families.

Mr. Fayolle submitted the following statement:

We thank the Diversity Council, the Diversity Advisor, as well as the Diversity Office for this Annual Report. We welcome the progress made to date as regards diversity, albeit slow in some areas. We welcome having a formal Board meeting on this issue, which we believe is useful to further enhance the Board's involvement in HR strategic issues. We would like to highlight the following points:

We consider diversity of educational and professional backgrounds as fundamental to achieve real diversity within the IMF. We stated the importance of this issue last year and would hope for more concrete information, data, and recommendations on this matter. Nearly three quarters of staff holding a doctorate degree studied in a U.S. or U.K. university. Table 14 on EP recruitment missions by university is also striking as well: more than 70 percent of the 2012 EP class still comes from U.S. or U.K. universities. The risks associated with “groupthink,” highlighted by the IEO, call for a more diverse set of academic and professional backgrounds across staff. We reiterate our wish to have a more in-depth analysis of this issue (including, for example, of the trends as well as by grade, by department) and to have academic diversity clearly included in the diversity agenda. We would appreciate further explanations on the concrete actions envisaged to improve the diversity plan in this regard.

Better promoting external and internal mobility is also key, both to promote diversity of experience and reduce the “home bias” in the geographic composition of area departments’ senior staff.

We agree that the issue of inclusion is key and requires concrete action. In this regard, we support a new on-board program for mid-career professionals to help integrate them into the Fund’s work culture, which will also reinforce the broader goal of fostering the hiring of mid-career staff.

In conclusion, we would like to stress that a strong and resolute support by management is key to obtain progress in this area. We hope that management will broaden the scope of diversity to cover academic and professional backgrounds in a more concrete manner. A better articulation of the diversity agenda with the HR policies in general is difficult, but also critical. Management and the HR and Diversity teams can count on this chair to support this agenda.

Mr. Nogueira Batista, Mr. Fachada, Ms. Florestal and Mr. Santarosa submitted the following statement:

The IMF is moving at a snail’s pace on the Diversity agenda and many, perhaps most, of the concerns expressed last year by Executive Directors have only been partially addressed. Resistance to change seems to be increasing in the institution. Other governance reforms are also progressing slowly. In terms of diversity, at the present pace, nationals of a few advanced, mainly English-speaking countries will continue to hold the overwhelming majority of key staff positions in decades to come. This will also be true for senior level personnel managers in important functional departments.

Need for Stronger Engagement

We continue to think that “sustained progress toward the Fund’s diversity goals requires continuing strong leadership from management and close monitoring and accountability for results of managers at all levels” (The Acting Chair’s Summing Up, 2010 Diversity Annual Report, paragraph 5). If tangible progress is to be made, management and the Board need to take a more proactive role and show determination in improving diversity at the Fund. We reiterate our call which was also voiced by other Executive Directors last year for “forward-looking benchmarks and for considering staff diversity within regions, taking into account factors other than members’ quotas at the Fund” (Summing Up, paragraph 2). No effort was made to consider other dimensions of diversity such as professional experience and

linguistic capabilities as called for in last year's Board meeting (Summing Up, paragraph 3).

Recommendations of the Report

In order to address the educational dimension of diversity, the report recommends that the Fund engage “in an examination of what constitutes quality based on current Fund priorities and develop clearly articulated competencies for all staff that would be used in the recruitment process to identify highly-qualified candidates” (paragraph 45). This approach is understandable but we fear that its implementation will result in further delays. If such an exercise occurs, it could be carried out in parallel and without prejudice to stepping up efforts to address the problem right away. The Fund could for instance simultaneously start to identify nontraditional institutions, outside the English-speaking advanced countries, in which staff members have obtained their education and promote recruitment missions thereto.

The report recommends increasing introductory (so-called on-boarding) training for mid-career staff. Does this mean that mid-career hires have been having problems integrating into the Fund? If that is the case, an effort to instill a culture of inclusion at the Fund is what is really needed. The institution should become more open to people who are different and think differently.

The staff's does not seem to support the adoption of the concept of “nationalities of focus” apparently because of difficulties in removing countries from the list as targets are met. But is this concept different from that of a “recruitment gap?” The hurdles feared can be faced by the adoption of objective criteria for inclusion and removal of countries from the “nationalities of focus” list.

Providing opportunities for nationals from member countries to gain experience at the Fund would be helpful. However, we are skeptical about the selectivity bias embedded in the efforts to “identify the ‘recruitment gaps’ in major countries.” As we wrote in our statement last year, nationals of low income countries, countries in fragile situations and small states can provide the institution with valuable insights even when their quotas are small and they do not qualify as “major countries.” According to the report, about 22 percent of IMF members currently have no presence at all in the staff of the institution.

We are skeptical about engaging “all staff in serving as ‘talent agents’ for the Fund by identifying professional with whom they engage in their professional networks who may at some point in time be interested in a career at the Fund” (paragraph 45). Besides the obvious risk of conflict of interest it may cause, this approach may also serve to reinforce the existing networks as staff would be unlikely to recommend professionals who do not think like them and with whom they do not have cultural, language and educational affinities. We would only encourage such approach for staff from underrepresented countries and regions and/or with diverse professional and educational backgrounds.

We understand that there is a need to take into account the very different preferred approaches to how “Generation Y” (those born after 1981) works compared to earlier generations. However, we are not certain that there is a problem of generational diversity and that concentrating on this issue at this juncture would help the Fund make faster progress on diversity.

Comparators

We have serious doubts about the survey of experiences at comparator organizations undertaken in the Discussion Note. To start with, apart from the World Bank, we find all surveyed institutions not to be really comparable to the IMF. We would have expected to see as comparators other multilateral organizations such as the WTO, the United Nations or some of its specialized agencies, which face similar challenges of global inclusiveness. As for the regional organizations listed, although their presence may be useful, it would have been better to adopt a more balanced approach and include institutions from other parts of the world. We also think that an institution’s success in achieving diversity should be taken into account before retaining it as a comparator.

Other Issues

We reiterate our request for a table with the duration of G-4 visas for different nationalities and the list of practical hurdles that staff members with shorter duration visas have to confront.

The issue of double nationality is being used in the report to show that the Fund’s diversity scorecard is better than originally portrayed. For instance, some staff members who have an American or U.K. passport and a second “diverse” citizenship are counted as improving diversity. In many cases, this

second “diverse” nationality has little or no bearing on the staff members’ culture, outlook and networks.

We acknowledge the efforts made by the Diversity Advisor to address the Board’s concerns within the existing constraints and given the apparent lack of appetite for change within the institution. It is important to recall that diversity is one of the governance reforms called for by both the IMFC and the G20. Hence, we reiterate our call to have the Diversity Advisor selected by and placed under the authority of the Executive Board in the same way as the Director of the Independent Evaluation Office.

Mr. Mojarrad and Mr. Monajemi submitted the following statement:

We thank the Diversity Council, the Diversity Advisor, and the Diversity Office for the 2011 Annual Report, and welcome today’s formal Board discussion.

The goal of the Fund’s diversity efforts is to ensure strong institutional performance and an optimal use of individual and collective resources by adequately reflecting the diversity of the membership and of gender, backgrounds and other staff characteristics. The year 2011 was marked by the following steps towards this end: incorporating inclusion as key element and concept of the agenda, integrating the diversity agenda with the Fund’s broader range of HR policies and practices, including key diversity goals into the Accountability Framework and revisions to the Diversity Scorecard to streamline it, pursuing a program of education and training for staff, and conducting the survey of best practices at peer institutions. However, we are concerned that broadening the diversity agenda by putting more emphasis on inclusion as a key element and concept will “dilute” the fundamental definition of national diversity as inscribed in the Fund’s Articles of Agreements. Moving away from the fundamental concept of national diversity will undoubtedly undermine the legitimacy of the Fund as an international institution. We have also some reservations on the relevance of selected comparator institutions in the survey, none of which, except the World Bank and the UN, compares with the quasi-universal character of the Fund. We also doubt that all comparator institutions would seek diversity of thought. The staff may wish to comment.

While we share Mr. Assimaidou and Mr. Saho’s concern with the decline in B-level staff from Africa, we note that despite its welcome recent increase, the share of B-level staff from the Middle East region remains well below its financial quota and 2014 diversity benchmark, in particular at the

senior level. Moreover, we share Mr. Alkholifey and Mr. Rouai's concern with the decline in Middle East representation in other staff categories. Further efforts are needed to increase the Middle East and Africa's representation, in particular at the B-level. We strongly recommend promoting more diverse human resource managers, including department heads and SPMs, and setting up an explicit system to hold them accountable for the achievement of diversity goals. An update on regional representation across the senior grades would be appreciated.

We agree that training, education, and high-visibility assignments would help develop a stronger pipeline of staff from diverse backgrounds. This should help provide the mobility for staff which is an important factor for promotion. Departments should keep careful track of high-visibility assignments and ensure that a fair share is allocated to staff from underrepresented regions. The strong "home bias" should be tackled by strengthening departments' diverse recruitment, setting minimum "non-home" benchmarks for individual department's recruitment, and increasing mobility.

While we welcome the progress in gender diversity, we note that the small decline in the share of women at B-level was mainly due to an increase in separations. Could staff elaborate on possible reasons for these higher separations? The Fund is behind comparable international organizations in the representation of women at senior levels, and the share of women at the B-level is well below that in the lower professional grades. We hope that the gender diversity achieved at management level will continue and will help improve Fund's score in this area.

We are disappointed that the share of underrepresented regions appointees under the EP, which until 2011 was a source of diversity, dropped significantly in 2012. As promotion of diversity at the entry level would ensure a diverse pipeline for promotions for the future, we would welcome staff indication of the reason for this sharp decline. We would also suggest setting a target floor of 50 percent for these regions in the EP program.

The acceptance of the Review Working Group's recommendations by the Diversity Council and management is encouraging. However, like Mr. Andersen and Mrs. Alfredsdottir, we are somewhat concerned that the proposal to build a pool of potential candidates for consideration for vacancies by engaging staff as "talent agents" in identifying professionals with whom they engage in their professional networks may entrench current biases instead of reducing them. We could, however, support the proposal if it is limited to identification of potential candidates from underrepresented regions or groups.

Collecting data on dual/original nationality on a regular basis would also provide a better picture of actual diversity. This information should be self-reported and would help to provide a clearer understanding of the depth of cultural perspectives and capacity in the Fund.

We agree with several other Directors on the importance of diversity of cultural, academic, and work experience backgrounds which is essential for diversity of thought and avoiding group thinking. Like Mr. Meyer and Ms. Holler, we look forward to a table indicating recent developments in this area; we also share their concern about perception of potential discrimination based on nationality, gender, or other characteristics in recruitment, promotions, and other personnel decisions. Like Mr. Alkholifey and Mr. Rouai, we would suggest an in-depth and independent assessment of the discrimination issue. The staff's comments will be appreciated.

We are concerned by the trend to raise issues of conflict between quality and diversity in recruitment, or merit and diversity in promotions. This is one sure but highly disputable way of undermining attainment of diversity objectives. While diversity should not be at the expense of quality and merit, the opposite is also true. The staff may wish to elaborate on how these objectives could be reconciled. It is interesting to note from paragraph 14 of the Discussion Note that some global businesses surveyed view diversity as a component of quality. Shouldn't diversity be seen as part of merit when considering promotions as well?

Mr. Hockin, Ms. O'Dea and Mr. Rolle submitted the following statement:

We thank staff for a very useful and interesting Annual Report on Diversity. We note especially the Diversity Advisor's experience in her first year and welcome the focus in her foreword on inclusion, which we believe would bring the diversity agenda to a new level where all staff would see the benefits. We agree also, that the senior management team is clearly and visibly diverse thereby taking strong leadership in this important issue. We wonder if it would be useful for the senior team to share their experiences as to how this diversity helps to foster innovation and greater productivity.

Once more, we affirm our support for achieving a more diversified staff, using the range of metrics listed in the Report. Diversity remains critical to the effective execution of the Fund's global mandate and to serving a diverse membership. Indeed within a culture that promotes tolerance and inclusion, diversity ought to contribute to more well rounded and robust

policy frameworks, and allow the Fund to better map its resources to the peculiar circumstances and needs of the membership.

We are happy to note the progress made in 2011 towards the medium-term diversity benchmarks. As regard gender in particular we support the increase in medium-term benchmarks to lock in the earlier than anticipated gains already realized. Gender diversity however remains too varied across departments, and we call on management to incentivize more rebalancing of resources. Our support remains firm in favor of parity over the medium to longer-term, which may call for even more ambitious recruitment and promotion. Meanwhile, it would seem that the share of African economists on staff has been static recently, albeit with differences across grades. We ask staff what measures are being taken to rectify this?

A strict reference to quotas would show that nationals of many small countries are not underrepresented on staff. Yet, as we have cautioned in the past, for both members and sub regions with small quotas, having a disproportionate reliance on the Fund's technical competence, representation targets should be established with other more relevant objectives in mind. In particular greater emphasis should be on ensuring that there is an adequate, suitable pool of resources devoted to these countries, and that career and mobility incentives are aligned for this purpose.

That said, as far as underrepresented regions are concerned we applaud the innovative and intensive outreach done by TGS in 2011, which incorporated remote internet based technology to interview some finalists. This approach ought to be further exploited in the future.

We fully support the recommendations on broad strategies to accelerate improvement in the diversity scorecard, including drawing on the experience of comparator organizations. We stress though that a significant push also needs to be made to incentivize a better convergence of scorecard results across internal departments. To give examples, we note from Table J, that of the 15 B level staff working in Research, none of them are women and none of them are from the targeted regions. Can staff outline what steps are being taken to rectify this as, it would appear that research is an area where diversity measures are urgently needed to foster innovation. We note also that Western Hemisphere and EXR score very low on this table. Finally, we would expect HR to be leading the way on diversity and observe that while they score well on gender, their score on regional diversity requires significant improvement.

In attracting top candidates we support a more explicit statement of what would constitute preferred qualities of recruits, relative to the Fund's core priorities. In this regard, there is merit in the Revised Working Group's proposal to use the Executive Board as a filter to gauge perceptions of how effectively the membership's diversity concerns are being addressed. Also, we look forward to seeing how recruitment strategies can be more adapted to seek out qualified mid-career professionals and further ease their transition into, and their mobility within staff. Exit information should be used to detect and react to any adverse pattern in the early separation of such hires. On ensuring greater accountability we concur on the merits of continuously monitored progress, and in making diversity inroads a factor in the performance measures, especially for senior staff and managers.

Given the pockets of internal resistance and misgiving among staff about diversity initiatives the ongoing program of education, awareness and training is indeed critical to ensure that the purpose of the diversity strategy is fully understood. We believe the key ingredient in integrating diversity into any organization is to weave every aspect of it into the policies and practices of the organization and we welcome the steps to do this, especially including diversity issues within the performance measurement system. Perceptions about career advancement prospects must continue to be driven by competence. Yet promotions ought to reflect the internal diversity of the staff, if indeed competitive benchmarks drive recruitments and HR development policies contribute to a level playing field for mobility.

The Acting Chair (Ms. Shafik) made the following statement:

This is the annual Board review of the Annual Report on Diversity. It is an important part of fulfilling the need for legitimacy, effectiveness, and efficiency that diversity provides by allowing the Fund to draw on the widest pool of talent for its staff.

This report shows that the Fund has had some success, particularly in terms of underrepresented regions. However, there are some areas where progress has been too slow, particularly with regard to senior women, where the Fund has a numbers problem. From my experience elsewhere, it is clear that unless there is a sustained and determined measurement and management of this issue, progress will not be made. It will take time but the Fund needs to stick to it.

I will make three points. First, it is important to acknowledge that some of the dynamics of the Fund's workforce at this time closely impact the

perception of the Diversity Agenda in the organization. The number of staff is not growing in the Fund, attrition is lower than in the past, and the Fund has fewer hires and longer hiring lags than before.

Promotion rates are lower than in the past, which could give the impression that there is less progress for non-diverse candidates. Some people may attribute the slow promotion environment to favorable treatment for diverse candidates when in fact it is just a slow promotion environment for all staff. Some of those misperceptions could be addressed by having more transparency and making more data available to Fund staff so that they can see that is the case. Management and the Human Resources Department (HRD) would like to do more of this.

The Fund is not doing a stock adjustment. The Fund's diversity strategy is based on the premise that the Fund will increase the flow of diverse candidates coming into the IMF while maintaining a meritocratic system for promotion and advancement. However, because the Fund is taking a strategy of refreshing the flow and because there is a big stock of non-diverse staff, it will take time. That strategy was endorsed by the Board, but we are stuck with the consequences of that, which is a relatively slower pace of progress.

The second issue is that the report discusses creating an inclusive environment, and that is partly a way of addressing some of the concerns around backlash and finding ways to serve the membership well by defining diversity in a broader way. We ask that the Board endorse the revised Diversity Statement that points to this greater, more inclusive approach which exists in the report.

At the last Board meeting, many Directors raised the issue of looking at a wider definition of diversity, and the report tries to do this. It is difficult because it is hard to agree upon the definitions of diversity and it is difficult to measure diversity. Management and staff have done our best to learn from other organizations to see how to address and respond to the issue that was raised by the Board.

Representatives from the Staff Association Committee (SAC) are attending the meeting and I want to confirm that Directors are comfortable with that.

The Diversity Advisor (Ms. Paul), in response to questions and comments from Executive Directors, made the following statement:¹

I will provide an overview of the report, beginning with three key developments in 2012. The first development is the setting of the new gender benchmarks. The Fund reached the 2014 gender benchmarks in 2010, and in 2011 a new benchmark was set by increasing to 5 percentage points of stock over the existing amount. In addition, the Fund set a 50 percent target for in-flow of women at A9-B5 levels.

The second key issue is integrating diversity further into the Fund. During the past years, we have worked closely with other areas of HRD to ensure that diversity is included in HR policies, procedures, and practices. In the Staff Survey response, one of the areas addressed was in regard to diversity. As Ms. Shafik mentioned, the Diversity Statement has been revised. We worked closely with departmental diversity groups; in each department there is one group which incorporates diversity on a departmental basis.

A third key development is including diversity in the Accountability Framework. One of the challenges has been ensuring that there is accountability for outcomes around diversity. The key diversity goals are included in the new Accountability Framework. The final goal of the Diversity Scorecard, which relates to staff perception of buy-in, will be included over time. That framework is used by management in their work with Department Heads to ensure that progress is monitored.

In terms of underrepresented regions, there has been a slight increase at A9-B5 level and also a slight increase at the B-level. This is due to an increase in all underrepresented areas, except the Middle East.

In terms of gender, there has been a slight increase in the stock due to the fact that about 35 percent of all A9-A15 hires were women. Women accounted for 48 percent of the Economist Program (EP) class this year. At the B-level, however, women separated at a higher rate than men and that is partly due to the low stock numbers to begin with.

There were 68 women at the B-level and 5 separated over the course of the year, which was a 7 percent decrease. There was a base of 249 men at the B-level, eight of which separated, representing a 3 percent decrease. A

¹ Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

slight uptick has begun in terms of gender at the B-level. The share of women recently has gone from 20.9 percent of all B-level economists as of April 30, 2012 to 21.1 percent, and that is before accounting for the new B5 who just joined.

In terms of recruitment, women constituted 48 percent of the EP incoming class. Unfortunately, no women were hired at the B-level this past year. There were only five hires at the B-level, four of whom came through the B-level diversity initiative, and the other hire was not a woman.

In terms of the 2012 EP class women were almost on par with men in terms of the numbers coming in. Additionally, 48 percent were from non-U.S. universities.

In terms of recruitment from underrepresented regions, the B-level Diversity Hiring Initiative was successful this year. All four positions were filled early on. At the same time, there was a slight decrease of about 3 percentage points in the share of new hires from underrepresented regions.

On the issue of promotions, there were 13 promotions from A14/A15 to B1. Four of them were women, nine were men, and only one was from an underrepresented region. In terms of staff from underrepresented regions, the number of economists was just slightly above the Fund average, but lower for African economists than the other regions.

Among the Specialized Career Stream (SCS), the promotion rates were slightly higher than Fund average for underrepresented regions. Among women overall, there was a slightly higher rate than among men, and that may be due to higher Merit-to-Allocation-Ratios (MARs) in previous years.

The Director of the Human Resources Department (Mr. Plant) noted that the MARs measured the average of the performance levels over the last three years.

The Diversity Advisor (Ms. Paul), in response to questions and comments from Executive Directors, made the following statement:

In terms of other demographic issues, there continues to be a home bias in the area departments, but that bias has decreased a bit. The home bias exists especially at the B-level. It has decreased slightly in the past years. Among Departmental Directors, Senior Personnel Managers (SPM), and Division Chiefs, the share of nationals from underrepresented regions remains low.

For example, among department heads, 10 percent—two out of 20—are from underrepresented regions. Fifteen percent are women, three out of 20. For SPMs, 10.5 percent are from underrepresented regions, two of 19. Seven out of 19 SPMS, or 36 percent, are women. Among the division chiefs, 14 are women, from a total of 76, representing 18.4 percent. Underrepresented regions account for 15.8 percent, or 12 division chiefs.

Overall, for women and staff from underrepresented regions in those three groups (department heads, SPMs and division chiefs), the numbers are relatively low, though these numbers are increasing slightly for women. These three groups are key because they are in many ways the gatekeepers to entrance and promotion in the Fund.

In terms of other diversity developments, training opportunities on diversity issues are provided to staff to increase the knowledge base around these issues in the Fund. We are working on integrating diversity into the Fund. The Accountability Framework, the Staff's Survey Action Plan, the revised Diversity Statement are some of the ways we are doing that.

Another area in which we have worked to integrate diversity this past year is the revisions to the Diversity Scorecard. When the Scorecard was put in place over one year ago, there was a requirement that it be reviewed and revised after a year of use. We have done that and made some recommendations for changes, which are noted in the report.

The final section of the presentation deals with the request from the Board at last year's meeting that we look into three broad areas: accounting for multiple nationalities, onboarding from midcareer hires, and opportunities for larger countries to have increased representation of their nationals in the Fund. We surveyed a group of institutions that we identified as a comparator group; the individual institutions are listed in the report.

In addition to those individual in-depth interviews, we consulted closely with several organizations, including the Conference Board's Council on Global Diversity & Inclusion Executives, a group of diversity advisors and chief diversity officers who lead organizational initiatives in our own sector.

The key recommendations are, first, to examine what constitutes quality and to develop competencies to use in the recruitment process. The key approach that the comparator institutions used in determining what universities to visit for recruitment, for example, was to identify their current

priorities and then target the skills and areas of competency needed. From there, the institutions made the determination of what universities would be appropriate to tap.

Second, based on the best practices of comparators, we recommend that the Fund re-examine and adjust recruitment approaches, keeping in mind that different generations in the workplace approach work differently. The comparators reported that by examining the expectations of this group and making changes to their recruitment approaches, they were successful in recruiting the caliber and number of new recruits that they were seeking.

The third key recommendation requires quite a bit of explanation, because almost every gray statement mentioned “talent agents.” The intent of this, as we found from consulting with the comparators, was to keep in mind that there is already a broad based network within the Fund to reach out to others.

The idea was to engage staff to help build a pool that recruitment would then tap into, especially when there was a short-term, almost urgent need for a specific area of talent, or if there were a need for skills and expertise in areas that was not easy to find. That pool would be a resource for recruitment. The “talent agent” concept was not intended to be used to hire staff but only to expand the pool of applicants.

Fourth, some of the Staff Survey findings and anecdotal information indicated that midcareer staff entering the Fund seemed to need additional support and information in terms of learning the Fund culture, in order to be effective in a very short term—particularly individuals who come into supervisory and management positions.

Because the Fund culture is complex, it would be useful to have an extended onboarding program. The comparators we benchmarked do this on an ongoing basis. It is not intended to be a one-time event but rather an ongoing process of engaging with senior staff who come into the institution.

In terms of data on multiple nationalities, we consulted widely on this. The only institution that does any work in that area is the World Bank. The Bank does an informal counting of staff. The staff are asked to list all of their nationalities. It is included in their database and not used for benefit purposes or any other purpose. It is simply intended as information.

We looked into what issues would be involved with making this requirement mandatory or needing to verify the data. The complexities involved in collecting and verifying the data seemed to far outweigh the benefits. The approach we would recommend would be to ask staff to state all of their nationalities and to report those periodically.

In terms of the next steps, the emphasis is on broadening the focus through inclusion, and following through on the actions in the Staff's Survey Action Plan. The report includes some information on the business case for diversity, but there is room to make the case much more clearly, and to link diversity to the key areas of the Fund. It would be useful to develop additional approaches to increase the pace toward reaching the 2014 benchmarks. Finally, as pointed out in the link between the Accountability Framework and the Diversity Strategy, more ways should be found to link diversity to performance, building in greater accountability throughout the institution.

Ms. Lundsager made the following statement:

I have one issue to focus on: gender diversity. A few years ago I commented that the gender diversity target was pathetic. It has improved, but I still find some striking statistics in the report.

Table J of the report indicates that there are three departments that have low, maybe even no gender diversity at the B-level. In the Monetary and Capital Markets Department (MCD), the Western Hemisphere Department (WHD), and the Research Department (RES), there are zero women at the B-level, which I found absolutely astounding. If one believes that women are worried about traveling too much, I presume that RES does more headquarters-based work, save for perhaps attending some missions or conferences.

I was struck by that zero, as well as the low numbers in some of the other departments. I noticed that even the diversity benchmark for 2014 is 20 percent to 25 percent. Perhaps the Fund could aim for the higher end of that range, because the Fund has basically reached the 20 percent range. I appreciate the point that there is not much turnover at the Fund. Nevertheless, the IMF did lose a number of B-level women, and I am curious to know what the difficulty was in retaining them. Maybe some of those B-level women hit mandatory retirement. Why is this trend going in the wrong direction and why has the IMF not been able to do better?

The Acting Chair (Ms. Shafik) noted that she had the same questions as Ms. Lundsager.

Mr. Benk made the following statement:

Our chair welcomes the progress made in achieving the Diversity Agenda. However, there is more to be done, not only in terms of reaching the current benchmark but also in pushing the Diversity Agenda and Diversity Scorecard further to fulfill the Fund's key mandates.

There is a strong business case for diversity, especially in terms of allowing divergent views to be shared and heard, which should add to the problem-solving and critical analysis of the Fund. In this respect, we associate ourselves with the statements of Mr. Meyer (GR) and Mr. Andersen. The work of the Fund can benefit from regional diversity, but also from a broader variety of views from staff members with more diverse academic and professional backgrounds who hopefully come from different schools of thought.

Regarding the numbers on diversity at the B-level, Ms. Paul provided additional numbers regarding the promotion rates from A15 to B1. However, data on promotions within the B-level are not included in the report.

For example, these numbers show that during the past two years, on average, the rate of promotion from A15 to B1 was 2.4 percent for staff from overrepresented regions, but only 1.1 percent for staff from underrepresented regions. It is clear that less diversity was achieved in this respect. However, the promotion rates by gender are 2.8 percent for women and only 1.8 percent for men.

The question is whether this is good news or bad news? This is not known. These are just numbers; what matters more is perception. I fully agree with Mr. Meyer (GR) and Ms. Holler when they wrote that, "the perception of certain groups that their career developments are jeopardized because of their nationality or gender will not only promote resistance against the diversity goals, but can also lead to dissatisfaction of staff members, which ultimately can negatively affect motivation and staff morale."

Our chair looks forward to transparent strategies to tackle these issues, which could be severe and could severely affect the Fund's business. I would be happy to see some documents with guidelines for diversity. Such documents are nonexistent at the moment.

Finally, returning to the numbers, one can calculate how quickly the diversity benchmarks can be achieved. Assuming that talent and performance are equally distributed across overrepresented and underrepresented groups would imply equal promotion rates and equal recruitment. The calculations indicate that diversity benchmarks and full convergence can be achieved only after a full career span of 25 years or 30 years. If the Fund opts for faster convergence than 30 years, then it must violate the principles of evenhandedness in promotion and recruitment, and this means preferential selection.

If the Fund opts for preferential selection in recruitment from outside, it is still advisable to limit preferential treatment to moderate degrees to preserve a balanced age structure across the groupings. If one considers a preferential selection within the EP, where typically young people are employed, that could lead to an unbalanced structure within the existing stock.

Mr. Saho made the following statement:

Like others, our chair appreciates the progress that has been made in advancing the Fund's Diversity Agenda. Our chair also acknowledges the strong commitment of management to secure the highest standards of efficiency and technical competence, and to make the staff and the culture of the Fund truly reflect the global membership. This is not just a matter of broad legitimacy, credibility, or effectiveness, it is required by the Articles of Agreement.

At the same time, our chair also recognizes the longer-term nature of the challenges to achieving full acceptance of the diversity objectives and to reduce resistance within the Fund. The results of the 2010 Staff Survey and the need to reiterate the business case for diversity in the report underscore this point. Perhaps one must accept that there will always be some form of resistance to changes of this nature, but one should try to minimize it.

The perception by some staff that their career advancement may be put at risk because of an emphasis on diversity needs to be addressed. From the report, it is evident that these perceptions are not necessarily borne out by the evidence. It is evident that staff from underrepresented regions do not benefit from any special dispensation when it comes to promotions.

Our chair agrees with some Directors that communication of diversity issues, including transparent reporting of data on recruitment and promotions,

may help in this regard. In addition, we also give our strong support to the addition of inclusion in the Diversity Statement, and we support the efforts of the Diversity Office in engaging Fund staff through educational and training activities.

Our chair also notes with concern the decline in the share of African staff at the B-level at a time when efforts are being made to increase representation. The current representation stands at 2009 levels, signaling that unless some means of increasing the share of Africans at the B-level is found, achievement of the 2014 targets may not be possible.

The share of staff from home regions in Area Departments is the lowest in the African Department. The B-level Diversity Hiring Initiative may alleviate this problem, but it should not necessarily be a substitute for comprehensive reform. Our chair strongly supports the recommendation in the report to go beyond recruitment to career development and promotions to support the advancement of underrepresented groups. We look forward to the work that the Diversity Office will do in this area.

The report notes that promotion rates for entry-level B-grade staff from underrepresented regions declined in FY2012 compared to the average in the preceding two years. This is disappointing, as the promotion rate is an important element in ensuring appropriate representation. Among economist staff, African staff were the only group from the underrepresented regions whose rate of promotion fell in FY2012. Like Mr. Assimaidou and other Directors, we call for a review of the promotion process to ensure that measures to promote staff into and within the B-level are equitable, while noting the need to exercise care to avoid perceptions of favorable treatment.

At this Board meeting and at last year's Board meeting, some Directors raised the issue that the Diversity Agenda should be broader and should include elements that are related to diversity of academic and professional backgrounds. Our chair agrees that these are legitimate areas of focus.

However, the pursuit of these objectives should not detract from the pursuit of the agreed-upon objectives relating to gender and geographical diversity. As our chair has expressed before, these objectives are not mutually exclusive and could be pursued together.

Directors should ask what lessons can be learned from the success in meeting the gender benchmark and the recent Technology and General

Services Department (TGS) campaign that resulted in a 3 percent increase of A9-B5 staff in that department. Although such lessons may not be widely applicable to other parts of the Diversity Agenda, given the likelihood that the benchmarks on geographical representation are unlikely to be met at the current pace, some consideration should be given to introducing a benchmark that establishes that half of A9-B5 hires should come from underrepresented geographical regions. This would wind down after the targets are achieved.

Finally, as the Fund seeks to achieve greater social and informational diversity in order to reinforce creativity and flexibility, we should also take care to reiterate and promote the acceptance of the shared core organizational values that will make the Fund effective. These are the international character of our duties, our multilateralism, collaboration, and cooperation, in the sense that Fund staff is united in the desire to achieve economic stability around the world. These values are needed now more than ever.

Ms. Jajko made the following statement:

The Diversity Agenda remains focused on gender and regional diversity, as also underscored in the first part of the revised Diversity Statement. The narrow focus is a source of contention for staff, and our chair would advocate taking a broad view of diversity that equally honors variety in educational background and professional experience. The latter issues are explored in the Supplement, but they are not as consequently operationalized as the original goals.

Our chair also agrees that the business case for diversity should be made more prominently. However, this is not straightforward and there are tradeoffs involved. For example, the desirable objective of achieving a profound understanding of member needs and interests through diversity sits at odds with the avoidance of home bias in Area Departments. Similarly, if a flow target on hiring is deemed valid not only in aggregate but is pursued in teams, it would likely imply costs in terms of skills mismatch.

Our chair is not entirely convinced that the observed lack of clarity on diversity gleaned from the survey can be fully remedied by communication. There will be tradeoffs and these may have to be spelled out more clearly, but they cannot be communicated away. In the same vein, our chair is also not sure that the new inclusiveness element of the Diversity Agenda will remedy resistance to measures motivated by diversity objectives. This part seems to belong to the realm of ethics, as already contained in the Staff Code of Conduct.

In essence, our chair would welcome future Diversity Reports to assess progress against a broader concept of diversity and to be more explicit on how enhanced staff diversity supports the Fund's key strategic and operational priorities. Unbiased professionalism is what counts most in pursuing the Fund's mission. Diversity is also a concept that should be seen as an integral part of the Fund's human resources strategy.

Our chair would like to know the status of the revised Diversity Statement. Additionally, how would diversity competence metrics be included in the Annual Performance Reviews (APRs), and what would such metrics be?

Mr. Mojarrad made the following statement:

The report points to a growing resistance to diversity among staff and even a pushback from a certain category of staff. This principle is enshrined in the Fund's Articles of Agreement and should reflect the international character of the institution.

Our chair welcomes the progress on gender representation, but wonders why the longstanding efforts on national and regional diversity have been unsuccessful. We appreciate the efforts to close the gap between the current state and the 2014 targets through the recruitment of B-level staff from underrepresented regions. However, this initiative should not be a substitute to promoting deserving staff from underrepresented regions who are already performing well in the institution. Diversity should also be applied to career progression, particularly to senior positions in the Fund.

Our chair agrees with Mr. Fayolle that diversity of education and professional background should play an important role in achieving real diversity within the Fund. We also call for more in-depth analysis on this issue. As underscored by Mr. Chia, the Fund needs to exercise great care in approaching the candidates identified by the internal talent agents, as there may be sensitivities related to directly approaching candidates from member authorities.

Mr. Mozhin made the following statement:

Our chair attaches great importance to the Fund's Diversity Agenda. We welcome the mechanism that has been recently created to improve monitoring in this area.

It is clear from the report that the progress achieved in the last year has been uneven; there has been some progress in certain areas, no progress or even some regression in other areas. This is well presented in the report, so I will only make a few points.

Several Board members raised the point that the Diversity Agenda has created concerns among the staff—especially those from overrepresented regions—that their career prospects may be negatively affected by the agenda. It is normal for anybody to be concerned about their career prospects.

At the same time, if one pays too much attention to these concerns, the Diversity Agenda will simply need to be abandoned. I am very mindful that the Fund should remain a meritocratic institution, and high-quality staff is an absolute requirement.

Regarding the idea of talent agents, several Directors have already commented that there may be advantages and disadvantages associated with this approach. I would support experimenting more with this approach because Fund staff must have some good ideas and good candidates they can recommend. However, a certain amount of caution will need to be exercised. If this becomes the predominant approach, it may work against the Diversity Agenda. The Fund would be recruiting similar types of people from similar types of institutions, academic or educational backgrounds.

My last point is the exact same point that I made last year. The fact that no Russian national has ever been appointed to a B-level position in 20 years of our membership in the Fund is truly scandalous.

Mr. Alkholifey recognized the progress made in recent years in advancing the Fund's Diversity Agenda. However, more work was needed to reach the 2014 benchmarks—especially in terms of regional diversity. The success of those efforts depended on management and Directors' collective involvement and ownership by all staff. Management needed to listen to staff members who had expressed concerns about the slow progress of the diversity strategy as well as to those staff who resisted further progress in this area. In this regard, the Heads of Departments had an important leadership role to play; first, in believing in the benefits of diversity, and then in its promotion and implementation. Like Mr. Assimaidou, he emphasized the importance of having more diversified SPM staff, as they could play an important role in promoting diversity.

Mr. Sun made the following statement:

Promoting diversity is part of the Fund's strategic effort to make the IMF into a truly international organization. There is no doubt that a more diversified human capital structure could add value to decision making, the quality of policy advice, and enhanced efficiency and effectiveness, as the Acting Chair rightly pointed out at the outset.

Our chair understands that a quantitative benchmark is needed in assessing progress in a given time, but broadening diversity is more a qualitative process by nature. Therefore, it is hard and perhaps not realistic to use just one quantitative indicator to assess progress. What is more important is consensus and concrete actions from every party, including the Board, management, and staff. Everyone must have a strong willingness to accelerate this process.

The emerging market and developing country representation at the B-level and midcareer is particularly low and the situation probably worsened in 2011. Two nationalities account for 33 percent of all B-level staff. Because the election criteria and the process are the same and transparent to everyone regardless if they are from overrepresented or underrepresented regions, our chair does not see any reason why the quality of staff will be affected by a Diversity Agenda.

Lastly, our chair encourages the staff to establish benchmarks not only by region and gender, but also by constituency.

Mr. Furusawa made the following statement:

Our chair welcomes the recommendations in the report. After reading Directors' gray statements and hearing their remarks, I would like to add a few points.

As clearly prescribed in the Articles of Agreement, I agree that the regional and national aspects of diversity should be the primary focus of this exercise. At the same time, like Mr. Fayolle and many other Directors, I can also support promoting diversity in both the professional and educational backgrounds.

On the means to promote diversity of professional backgrounds, I agree with Mr. Andersen that the hiring of midcareer professionals would play a critical role, given their rich professional experience.

Finally, I totally support Mr. Alkholifey's proposal for promoting the diversity of the SPM staff.

Mr. Andersen made the following statement:

I appreciate the rich material for today's discussion from the Diversity Advisor, staff, and from Directors' thoughtful grays. Having a formal Board discussion on this issue is fully justified. We also benefit from recent discussions—not least the IEO Crisis Report and the Managing Director's Statement in that regard—on how to encourage diverse views and candor. Progress has been made. There is still room for improvement in this area. Patience is needed for the reasons the Acting Chair mentioned at the outset.

At the same time, it is important that our efforts are not only focused on diversity in hiring and promotions, but that the IMF is an organization where diverse views and thinking are truly valued and encouraged. That was addressed in connection with the IEO Report.

I have four additional issues I would like to address. In our gray statement, our chair raised the issue of the Fund's benefits package. Directors may wonder what this has to do with the diversity discussion and whether our chair is simply using every opportunity to call for a holistic approach to the whole compensation package. There are good reasons for that.

Our chair fully recognizes and understands that it is not the time to do it. A natural question is, when will be a good time? Who knows? The upcoming Workforce Planning Initiative makes a natural background for a review of our benefits package with a clear strategy on determining the workforce the Fund would like to attract in the coming years, including its diversity components. There is a clear case for a review of the Fund's benefits, including the composition of the benefits package, to see if the package is consistent with and hopefully supports the mix of skills and backgrounds that the institution would like to attract in the years ahead.

Second, on the issue of geographic diversity, there are important details that get lost when one focuses on regions. Many Directors, including myself, have focused on the significant underrepresentation of nationals coming from our countries, and I thank Mr. Nogueira Batista for reminding the Board that close to one-fourth of the Fund's member countries have no presence whatsoever in the staff of the IMF. There is a saying that what one

measures gets improved, and the Board should not lose sight of what is not caught by the magnifying glass in the Fund's diversity policy.

Third, on home bias in Area Departments, it would also be a problem if area departments had too few staff, including at the senior level, with institutional and practical policy experience from the area. These staff members offer competencies that cannot be learned from textbooks or universities. This needs to be kept in mind. That was one of the lessons of the Asian Financial Crisis of the late 1990s for the IMF, if I am not mistaken.

Finally, when the Acting Chair opened the floor for comments, there was great interest in getting the floor. I do not know if it is possible, but perhaps it would be good not to wait a full year—maybe just 10 months to 11 months—to have next year's discussion. This would also contribute to a slightly lighter workload in the month of July.

Ms. Florestal made the following statement:

Many of the issues that were raised by Directors this afternoon were included in our chair's gray statement. We provided our position on these issues, including the issue raised by Mr. Mozhin concerning the potential negative impact of using staff as talent agents. Our chair would like to raise some other issues and insist on two others that are in our statement.

In her opening, the Acting Chair mentioned that one of the reasons that the pace is slow is the strategy that the Board has endorsed and that the Fund is implementing. If that is the case—and all Directors' gray statements agree that the pace is much too slow—is there not room to rethink the strategy and make sure that the Fund moves faster to achieve the targets that were previously set?

One of the points that was captured in the summing up of last year's discussion was that some of the targets need to be more forward-looking. Directors all agreed on that point, but it has not been addressed one year later. In last year's summing up, there was also an understanding that there would be periodic reviews. So far there has only been an annual review; one would imagine that "periodic" does mean more than annual. The Board already had been conducting annual reviews, and the issue was raised last year in an attempt to have reviews more often.

The other point our chair reiterates strongly is that there needs to be stronger engagement on the part of management and the Board. That can be

translated in many ways. Diversity is not present at the Fund except when we discuss the Diversity Report and maybe sometimes we have contact with staff when there is a survey. There is not a feeling that we are moving to do something positive on that level. Engagement has to be felt for Diversity to be part of the Fund's culture.

Related to that is the feeling among some staff that they are being disadvantaged and the backlash against the Diversity Agenda. What was quite disturbing about Ms. Paul's presentation is that Directors are being told that diversity is not the basis of promotion by demonstrating that the trend in promotions remains the same as in the past. It is alarming for the Fund's Diversity Agenda, though it may be reassuring for those who resist change. It is alarming in terms of what the Fund is trying to achieve.

The other point was raised by some Directors, but it is important. One of the suggestions is to make sure that inclusion is a more prominent part of the Diversity Statement and the diversity strategy. As other Directors have mentioned, there will always be resistance to change no matter what is done. There can be efforts to decrease the resistance. Nobody who has a certain position wants to give up that position to allow others to benefit from what they should have benefited from in the beginning, which is having their fair share as a member of the Fund.

Finally, last year our chair joined other Directors in raising the issue of the impact of hurdles at the level of obtaining visas and other administrative hurdles. We asked specifically for a table of the comparative differences or problems faced by different nationalities at the Fund in terms of visa duration or other administrative hurdles—which could discourage certain nationalities from even trying to work at the Fund. We did not receive that information and we ask for it again.

Mr. Geadah made the following statement:

A lot of good work has been done, which is recognized and appreciated, but a lot more needs to be done, as recognized in the report and in today's presentation. I will raise four issues.

First, on benchmarks, does it make sense to have diversity benchmarks that are related to quotas? Directors probably all agree that there are many problems with the quota formula, and Mr. Nogueira Batista always reminds Directors that the quota formula leads to strange results in the ranking of countries. Even if those issues did not exist, would it make sense to have our

diversity benchmarks related to countries' GDP, openness, or vulnerabilities? I wish I had a constructive proposal here, but maybe it is something that the Board can look at in the context of next year's report.

Second, I welcome what the Acting Chair said at the beginning of the meeting in terms of trying to widen the definition of diversity. Simply focusing on gender and nationality will not capture the various elements that we are trying to achieve in the Diversity Program.

Third, the targets' current focus on regions could mask some important details which are important for diversity. The Middle East region—which has been underrepresented for some time and for which there has been uneven progress—is made up of 23 countries. More than half of the staff from the region come from three or four countries; there are seven countries with no staff; and three countries with only one staff member each. Among the countries with one staff member, one is about to lose its only staff member because her contract will not be renewed. The countries in this region with little to no representation are culturally different from the three or four countries with the highest number of staff members. Simply looking at regions will mask some important differences.

Fourth, the quest for diversity should not lead to discrimination. We have heard about the backlash against diversity, and one occasionally hears complaints that diversity considerations are becoming more important than merit promotion decisions. I realize that this is not borne out by the numbers, but the perception, whether correct or not, affects morale and will impact the effectiveness of the organization. So, communication is important. I agree with the suggestion that was made by Mr. Alkholifey and Mr. Rouai, which was also supported by Mr. Virmani and Mr. Eapen, for a discrimination review similar to the one that was conducted in 1996.

I have a question on the recommendations made in the report about defining top-quality candidates. I would have thought that this would have been identified long ago in the Fund, so I am not sure what it means in terms of operations or in terms of identifying people.

Finally, Mr. Andersen made a great suggestion for the next meeting on diversity in terms of a shorter period and the bunching of the Board agenda.

Mr. Chia made the following statement:

Has there been progress in getting closer to benchmarks? Yes, the Fund has done well in that area. Has the Fund done well at recruitment? Yes, particularly on a gender basis and on a geographical basis. The Acting Chair noted in her opening remarks that flow is easier to address; stock has to move much more slowly. Even there, the Fund has done quite well in moving the stock, but at the more junior A-levels. In sum, the Fund has done well in picking the low hanging fruits in terms of recruitment and greater geographical diversity at the junior staff level.

What remains to be done? Geographical diversity is not a completed process. The benchmarks are still not reached and the benchmarks in themselves are not ambitious. There is still substantial underrepresentation of many regions at the B-level, and this is a pressing problem. It requires continued focus.

The second area is the professional background. The most relevant area one can think of is in terms of the diversity of experiences that one brings. This is an organization that has a focused business mission and the Fund is not considering hiring English majors or Latin majors. The Fund still hires economists primarily, but now the Fund is looking for people with policymaking backgrounds or market experience. This can be improved.

The key to addressing the B-level issue and addressing the diversity of background is midcareer hires. It is important to move beyond recruitment of junior staff to midcareer hires and, importantly, promotion and advancement prospects for these midcareer hires to the B-levels and to the senior B-levels.

In this light, it was surprising to see in the report that diversity is not driving promotion. It was also surprising to see that this new initiative to determine what quality means is aimed only at recruitment and not at promotion and, more relevant, senior-level appointments. In most large organizations, you will find very determined attempts to crystallize the required competencies for senior-level appointments, because these are the high-leverage points for a change of culture, for being role models to staff, for challenging those positions of influence to start moving things and shaping discussions in a different direction.

It is also surprising to see an onboarding program that is necessary but clearly not sufficient. These are induction-type programs and they fizzle out after a while. One should not underestimate the difficulties that midcareer

hires face in terms of breaking into a new culture, into a social hierarchy that has crystallized and hopefully not ossified.

Mr. Meyer (GR) made the following statement:

As is probably the case for every chair, we fully support the diversity objectives. This has to do, first and foremost, with how the IMF can fulfill its mandate as efficiently and effectively as possible. This means that the Fund needs high-quality staff. The point that is well-stated in the report is that the IMF needs diversity in terms of gender and in terms of member states or regions because this institution can function only if all member states feel that they are sitting at the table.

The Board should not forget that IMF staff has to be dedicated to the institution and to its mandate. The Fund should not slip into a situation in which the staff is increasingly looking toward the special interests of a certain nationality or region. The reason that regional diversity is so important is that the Fund would not be perceived as fair if all member states were not at the table. Nevertheless, staff has to be dedicated to the Fund and not to a region or a single member state.

As stated, it is of utmost importance to have high-quality staff. Other Directors and the report indicated that it is important to define what is meant by that. This definition might be changing, and this is part of the reason why our chair supports all those who argued for diversity in terms of educational background and professional background. In terms of professional background, it is clear from the financial crisis that the Fund needs more financial market experts.

Are we planning any changes to the EP to bring in more staff with financial sector knowledge, or is financial sector knowledge more a consideration for midcareer hires? Our chair asked for a table highlighting educational background, how this has evolved over time, and from which universities or which countries the Fund hired.

The table that the staff presented in its responses to technical questions only concerns the hiring for this year. We would appreciate seeing developments over the last five or 10 years—indicating either from which countries people were hired in the EP, or from which universities candidates were hired.

Finally, I would like to highlight that it is important that the Externally-Financed Appointee Program is working in both directions. This means giving the staff the opportunity to go out to other countries, ministries, or institutions. But it is also important that more civil servants from member states, where the Fund is important can come to the Fund for a certain period of time. They can either stay at the Fund or return with the knowledge of how the Fund works, which could then improve the relationship with the membership.

Ms. O’Dea made the following statement:

One of the issues that highlighted in our chair’s gray statement was the issue that Ms. Lundsager raised in her opening remarks, namely the statistics in Table J. I was absolutely amazed to find the zeroes in that table. It seems incredible that RES, in particular, has no women at the B-level and no one from the various targeted regions.

I wonder what sort of a signal that sends within the organization, and what is the Action Plan to deal with this. I would expect that if there is something as significant as this in the report, there should be an immediate Action Plan to deal with it. I mention RES, but there are other departments such as WHD with equally have low scores.

I agree with the focus on education that many Directors have mentioned. It is important that everybody knows and understands why diversity is necessary and that it is not just a nuisance or a box-ticking exercise. It is hugely important in relation to morale issues so that there is not low morale for those who feel that they have not been promoted.

Equally, and this comes out well in the report, those who have been promoted should understand that they are the best people for the job, because it would be bad if they were promoted from a particular region or as a particular gender and then felt that they were not the best person for the job or that others were saying this in the background.

Mr. Mozhin referred to this sentiment that, “I am not a woman so I probably will not go any further in my career,” and that is probably the same sentiment in reverse that women have felt for many years. It is a dangerous situation if staff believe that the reason they were not promoted is because they were not a woman. That is dangerous for women in those positions because they will not have the credibility of leadership that the organization needs.

Part of the education strategy should also focus on absorbing this new reality, because it is a new reality to have an organization as diverse as this, and it does take time to absorb it. In talking through these issues in relation to private sector industries, one very senior man from a private sector board told me that they had added a woman to the Board, and he said, “To be honest, I saw no difference.” Then the day came when there were four women on the Board and he said, “Actually, then I really saw a difference.”

Sometimes it takes time and the real impact has to be absorbed. That story relates specifically to gender issues, but it applies throughout the organization. One does not see the real richness that diversity provides until after some time.

On the educational front, I welcome the focus on inclusion. This is a hugely important step and a very different way of looking at things. Through these efforts there is a real “demonstrating by doing” model that is much more subtle but much more impactful as well. I agree with Mr. Andersen that diverse views must be seen as truly valid, so they must be rewarded when there are things like this taking place.

On the educational background issue, I agree with Mr. Saho that, although diversity of educational background and qualifications is important, it should not become the new target area at the expense of other areas.

The Acting Chair’s opening remarks noted that all of this is happening in the context of the downsizing, to which Ms. Florestal also referred. The Board has to think about that issue and what the implications are. We have to ask ourselves whether this agenda really matters. We are making a statement by accepting a much slower pace, and we have to understand what we are saying and clearly articulate it. Perhaps we should come back with a better plan. There might be some other, more innovative or creative way of approaching this issue.

Finally, in relation to gender issues it is important that the conclusions of these discussions are relayed clearly to all of our authorities, because our own Board has one woman serving as an Executive Director and a handful of women serving as Alternate Executive Directors. It is important that the message is also relayed to our own authorities.

Mr. Sembene made the following statement:

I thank the Diversity Council and the Diversity Advisor for the candid report that they have presented to the Board. I also thank management for the initiatives that have been taken in recent years with the view of improving diversity in the Fund. Many of the initiatives have been encouraging, including the Diversity Hiring Initiative, the Diversity Short List Protocol, and also the efforts to target underrepresented regions in recruitment missions. All of those initiatives are welcome.

As most Directors acknowledge, there is still a problem. The Fund has not moved fast enough toward the diversity objectives that the Board set. Management should explore other avenues for making further progress toward the diversity benchmarks. Our chair is open to the avenues that will be looked at, however we should be careful in the way those initiatives are taken on.

I will return to some of the calls made in our gray statement that were not addressed in the staff's responses to technical questions. The first call was to hopefully encourage more diversity among SPMs and division chiefs, and all decision makers at the departmental level.

The answers in the staff's response refer to the Diversity Short List Protocol as potentially helpful in promoting more staff at the B-level from underrepresented regions. It may be true, but at the same time, being on the short list is not necessarily a panacea for being a successful candidate. It might not be helpful just to refer to the diversity initiative to explain the progress toward creating more diversity among decision makers.

The staff's responses indicate that at least 36 staff members from underrepresented regions are at the B-level. That is a large-enough stock for more SPMs and Division Chiefs from these regions. This needs to be done now. We also call for introducing the idea of a benchmark for the number of SPMs from underrepresented regions. I hope management would consider that.

I will return to an issue that we put in our gray statement and that, unfortunately, has not been yet addressed. It is the call that our chair made for the review of the promotion process. Our chair has noted some disturbing patterns when it comes to promotion rates of staff from underrepresented regions compared to staff from overrepresented regions.

As of FY2012, the promotion rate from A15 to B1 for staff from underrepresented regions was less than 10 percent, compared to 92 percent for overrepresented regions. That is a staggering difference in the rate of promotion. Our chair also noted that during the past several years, the rate of promotion from A14 and A15 to B1 for African staff has consistently lagged any other staff from other regions. There is no explanation for that.

We ask management to look at that issue. We are listening to management, trying to see what management would be able to do on that front, to make sure that we can have a review of the promotion process and make sure that the existing promotion criteria are being applied in an evenhanded manner across staff from all regions.

It is hard to understand how one region would consistently lag other regions. The only explanation is twofold. Perhaps the staff from that region is not performing as well as others. That is hard to understand because the informal feedback that we received indicates that the APRs are relatively the same for the region being considered.

If performance is not an issue, perhaps it is the application of the promotion criteria that is the problem. It would be helpful if management could explain how it plans to tackle that issue.

One last issue that was not addressed by the staff is the role the Board should play in the process of improving diversity. Our chair has seen many recommendations that were made for management and for departments, but nothing has been asked of the Board.

Diversity issues are totally under the purview of management, but the Board can provide useful insight into the monitoring process, although it would be difficult to keep the Accountability Framework that had been designed properly implemented.

Mr. Lee made the following statement:

Our chair welcomes the progress made during the past year, mainly in terms of the new Accountability Framework, the revised Diversity Scorecard, and new gender benchmarks. In particular, we commend TGS for their proactive recruitment outreach and their success in recruiting a large number of highly-qualified applicants from underrepresented regions.

It is also clear that much needs to be done. Our chair considers FY2012 to be disappointing in terms of the pace of progress toward diversity benchmarks. For example, in Table A of the report, geographical indicators for underrepresented regions are far behind the 2014 benchmarks, and there was subdued progress during the past year. From reading Table B, it is hard to expect reaching the 2014 benchmarks for the B-level without much bolder measures, given the limited timeline and little room for internal promotion and midcareer appointments for the B-level.

Regarding Table D, there are not strong grounds for the paper's assertion that the intake of EP staff was a source of regional diversity in FY2012. Only one-third of newly-appointed EPs were from underrepresented regions, which is sharply down from over two-thirds in FY2011. Moreover, in Tables E and F, promotion rates for underrepresented regions were significantly worse in FY2012 compared to the previous years.

Against this background, we urge management, staff, and the Diversity Council to redouble efforts to make tangible progress in the coming years and attain the 2014 diversity benchmarks without delay. We highlight the importance of a strong commitment and continued leadership from management, and we encourage management to provide feedback actively on the results of the Diversity Scorecard and to link diversity to performance evaluations in a concrete manner.

We note that improving the diversity of Division Chiefs, SPMs, and Department Directors is an important prerequisite for implementing the Diversity Agenda. On the other hand, we ask the staff whether aligning the deadline for the 2014 benchmarks with the Fund's financial year is sensible in terms of the HR budget execution cycle.

Finally, the Staff Survey results that have led to concerns about backlash need to be carefully interpreted and should not be overstated. The comments made by underrepresented groups may simply be a response to a negative perception of diversity among some of the staff.

Mr. Fayolle made the following statement:

If the Board wanted to demonstrate the importance of diversity, it missed a good opportunity today by making this discussion the last item on the agenda rather than the first item. This issue is certainly as important as Jordan, Germany, Ukraine, or Afghanistan. I regret that a significant number

of my colleagues will have left the room by the time the staff provides answers to Directors' questions.

That being said, I welcome the ongoing progress on this crucial issue, and I thank Ms. Paul and management for their efforts. I agree with the Acting Chair that turnover at the Fund must be taken into account in adjusting the ambitions of the diversity objectives.

In my gray statement I focused mostly on diversity of academic background, because it is very important. I used to be a staff member. This is something that has to change. I am not sure this is changing, or probably this is changing extremely slowly. I will provide a few examples.

Of the 29 members of the 2012 EP class, 15 attended university in the United States and six attended university in the United Kingdom. That is basically three-quarters of the newest EP class. When I looked at the recruitment missions to universities, only the United Kingdom has had recruitment missions every year since 2007.

How can the Fund claim to have an integrated approach to diversification in terms of academic background if this anecdotal evidence is not dealt with? It is also relevant that there are no objectives linked to the issue of academic background. It is one thing to claim that gender and regional diversity are important while there is a target for gender or for certain underrepresented regions. However, it is something different to say that diversity of economic background is important while there are no accompanying targets. Unlike Ms. O'Dea, I believe a target is needed.

I completely agree with Mr. Furusawa that more work needs to be done on midcareer issues. It is important to help the midcareer hires better understand the institution, and I welcome what is done in this regard. It is also important that staff understands that midcareer hires bring something to the institution, which is not always the perception.

Finally, Mr. Alkholifey has a good point on diversity of SPMs. Last December I expressed my surprise when reading the follow-up of the Staff Survey that out of 20 Working Groups that had been created, 13 of these Working Groups were chaired by U.K. or U.S. citizens. The answer that I received was that it reflected the limited diversity of the current pool of SPMs. We must work on this issue as well.

Mr. Eapen made the following statement:

I thank the Diversity Advisor and the Diversity Council for a very good report. More so than the report, the note that was circulated pushes the whole agenda forward. We appreciate the effort that has gone into this.

Listening to Directors last year and this year, there has been not much change in the diversity of views expressed in the gray statements. This is to be expected because everybody is approaching this issue from a certain point of view. What is important in one context may not be important in another, and it is perhaps up to the Diversity Office and the Diversity Council to bring all this together and to come up with something which pushes the whole agenda forward.

I am in agreement with what Mr. Fayolle just mentioned on many issues. I support what was mentioned by Mr. Geadah and Mr. Chia. The whole focus on diversity needs to start with how diversity can provide benefits for the Fund.

That is what one loses sight of when discussing benchmarks while ignoring the fact that diversity by itself can provide benefits for the Fund. It can increase productivity, innovation, and participation, and improve the Fund's effectiveness.

From the perspective of emerging markets, one of the main issues in this regard is that enhancing staff diversity is part of the larger governance reform and it has to be recognized as such. This was a point highlighted in our gray statement. Although our chair notes the importance of geography, and it is extremely important that all areas are adequately represented, surely that is not the only story when discussing diversity.

For example, consider India, which can be considered a region in terms of diversity. Table 1 in Annex I indicates that there are 46 Indian economists at the Fund, which seems to be a large number. However, that could be measured against the population and I will not go into that issue. What is most surprising is that, out of the top 20 countries, not a single one of these economists has a Ph.D. from India. Perhaps 99 percent of these economists hold Ph.Ds from the United States, while 1 percent may hold a Ph.D. from the United Kingdom or a few other countries. These economists are Indians by name, but I am not sure whether they are Indians by nature.

These are important aspects of diversity. Educational diversity is a factor that needs to be highlighted, which Mr. Fayolle also mentioned. In this context, it is the reason why our chair indicated in our gray statement that we are against the system of talent scouting, because talent scouting would only increase the number of economists from the same institutions. It will not increase the number of people from across the world. We also agree that more midcareer professionals need to be brought in. This needs to be emphasized.

Therefore, our chair requests a reexamination of the entire concept of diversity perhaps in line with what has been mentioned in Box 2, although there are a large number of experiences and viewpoints mentioned there. I am not sure how all of them can be integrated into diversity. Perhaps integrate few must be looked at and integrated that into the whole diversity experience.

A final point on the diversity benchmarks, I understand that diversity benchmarks were drawn up after a bilateral meeting with the Diversity Advisor out of a Task Force on diversity benchmarks. As Mr. Geadah mentioned, quota seems to be the starting point, and the system of quotas itself is flawed. Now that the 2014 target date is approaching, I wonder whether the entire benchmarks need to be reexamined with an eye toward whether they have served the purpose of improving diversity in the sense of improving the Fund's efficiency and also its outreach.

Mr. Lischinsky supported the progress made in terms of gender and geographical diversity. However, more progress was needed in terms of bringing in staff with different academic and professional backgrounds and from different schools of thought. The problems that needed to be addressed did not require multiple approaches and views. He noted that if the Fund supervised and advised on diverse issues such as health care, education, labor, pensions, employment, banking, finance, and inclusive growth, then the Fund would need specialists in these fields. Some specific skills, such as strategic thinking, were also needed. The Fund also needed staff with everyday skills, such as negotiation and mediation.

Ms. Marchettini made the following statement:

Our chair welcomes the 2011 report on diversity and the progress made on a topic that is central to the Fund's legitimacy and effectiveness. We broadly support the report's recommendations, and we appreciate the efforts of management, the Diversity Council, and the Diversity Advisor to meet the 2014 benchmarks.

We also appreciate that the concept of diversity has gradually evolved from a focus on geographical representation to an approach that encompasses

a broad range of staff characteristics, including gender, language, and educational and professional backgrounds. However, as many other Directors have noted, progress in other areas remain mixed.

This is unfortunate, because the diversity of education and professional background is fundamental to achieving real diversity within the Fund, bringing in new ideas, and attaining new experiences. We suggest that more data on progress achieved in this area be included in the Diversity Report.

In terms of gender, although we are pleased to see that the recruitment process has strengthened with the recent adoption of the gender-based recruitment benchmark, additional efforts are needed to encourage the entrance of midcareer women, as highlighted by Mr. Andersen and Mrs. Alfredsdottir.

Finally, our chair recognizes that the implementation of a diversity strategy requires a level of institutional change that may raise concerns and weigh on staff's motivation and morale. Against this background, we join Mr. Gibbs and Mr. Elder on cautioning management against moving too aggressively or attempting to increase the pace of progress. On this topic, we recommend that personnel decisions continue to be driven by staff performance and that a more transparent approach and better communication are needed to enhance the diversity objectives.

Mr. Yakusha made the following statement:

It seems as though our chair wants to support almost everything in all the gray statements, but I will try to simplify our view of the challenges the Fund is facing. We congratulate management, staff, and the Diversity Advisor for the accomplishments already achieved, but the Fund is far from where it should be, even compared with other IFIs.

There are two issues. The first is what can be called managerial challenges—overcoming resistance to change, changing the procedures, putting females into all those hiring panels, putting representatives from underrepresented regions, doing things which may not require additional financing. We often tell our member countries that if they have a policy it has to be financed in a transparent way and that accountability must be introduced. In this regard, I am afraid the Fund is not yet serious about diversity.

I completely agree with Mr. Fayolle about the educational background of the EP class, but I note that there were 32 EP recruitment missions in 2010 and only 7 in 2011. If the Fund does not finance the search for talent outside the United States and the United Kingdom, it will not find this talent. U.S. universities are very good, especially in the Washington D.C. area, so I assume one needs to spend more money and effort to find a qualified candidate elsewhere. However, if this is the policy, the Fund needs to spend money on the policy.

The other issue is benefits. Directors all determined that some benefits may need to be amended to make sure that female staff are taken care of—that childcare is up to standards, that other family members are taken care of. Again, the problem is related to spending money and being honest about the fact that the policy requires some financing. If promotion opportunities are limited, the Fund needs to spend money to budget for it.

Frankly speaking, the idea that the Fund has become stable is only based on anecdotal evidence. There were many explanations from our constituency country teams—which were not very stable—that now the Fund is stable and now there will be a degree of stability. I do not see it. I now have a country in my constituency which has nobody—I stress nobody—working on it. The mission chief left; the whole team left; and there is nobody except the Resident Representative in the field.

It is an overstatement to say that there is stability in this institution. The Board may want to consider whether the explanations provided for not accomplishing certain goals are correct explanations.

Ms. Balsa made the following statement:

I will not insist on the first point in our gray statement, which was the need to include in the agenda the academic background and professional experience. This point was also raised by many other Directors.

I would like to make an additional comment on the second point included in our gray, which relates to the issue of stocks and flows that the Acting Chair commented upon in her opening remarks. Her point makes sense in a way. Given that total recruitment this year has decreased, maybe the Board should rethink the benchmark or at least accept slow progress toward the benchmark. These factors could call for a slower adjustment.

At the same time, there is a clear risk of what could be termed “diversity fatigue” from both sides—the fortunate side and the unfortunate side. There is the risk of a worst-case scenario in which everyone thinks they have been negatively affected by the Diversity Agenda while the Fund has not reached the benchmark or what is perceived to be a good benchmark. I do not have a solution, but that is a clear risk that must be taken into account.

Mr. Meyer (GR) supported the request of Mr. Fayolle and Ms. O’Dea to have quantitative targets on the educational background.

Ms. O’Dea clarified that her position was that these targets should not be the primary focus of diversity efforts. She did not mean to suggest that there should not be any such targets. She noted that the figures in Table J were additive, which meant one could overcompensate in one area while making no efforts in another area. Her fear was that adding targets for educational background would be additive, meaning that the issue of educational background would be addressed but scant progress would be made on other issues. After hearing the statistics provided from Mr. Eapen and Mr. Fayolle, she completely supported the concept that there should be benchmarks, but that these benchmarks should not take over the diversity process.

Ms. Florestal made the following statement:

On this issue, our chair cautions that the issues of education and gender are important, but that having targets on nationality and other gaps is almost discouraged. I am puzzled that there is an appetite to have targets for professional background and to have targets for gender, which is a very good thing, but why are there not more general targets?

I totally agree with Ms. O’Dea that one must be careful that this important issue of professional background and educational background does not overpower the legitimacy of the Fund in terms of having representation from around the world. Directors all agree that something needs to be done so that we move better and more efficiently toward these objectives; I do not say “faster” because there are at least two chairs that probably do not want to move faster. The fatigue that Ms. Balsa mentioned is exactly what will happen if we do not move fast, and the process will lose credibility.

I will make a parallel. When there was a budget problem, we moved aggressively to downsize the Fund. In this sense, I join Mr. Yakusha. Why can we not take an aggressive move that could also implicitly mean more financial resources to achieve ambitious and more forward-looking targets? At this rate, there will not only be fatigue, there is a credibility issue.

There were many comments about quota and how larger countries have a means to have more exposure to the Fund. Quotas apparently are still benchmarks, but as we noted in our gray statement, the Fund can benefit from having viewpoints from low-income countries and small countries which have very small quotas. If diversity is determined by quotas, there will not be anybody from those countries.

Finally, I support the comment that Ms. O’Dea made at the beginning. There are two sides to the issue. If there is a benchmark on gender, men will feel that they are being disadvantaged. However, at present women at the Fund feel like they do not have a chance to get promoted. Most women do not think they have any chance of getting into certain departments. I am talking about women, but there are also nationalities in the African region, as mentioned by Mr. Sembene, that feel the same way in terms of promotions.

The Acting Chair (Ms. Shafik) made the following statement:

Before we all descend into despair, it is useful to remind ourselves that the Fund is a much more diverse place today than it was a decade ago. Those who have been at the IMF for a long time will confirm that that is the case. We have actually made concrete and steady—albeit slow—progress in terms of the Diversity Agenda.

Some Directors asked about the issue of senior women at the Fund and why the Fund actually went backwards in the current report. It is a small numbers game and the Fund lost five women at the B-level, which brought the numbers down. The Fund has recovered a bit on that front with some recent appointments, including one Director.

I should reassure Ms. Lundsager that those Department Directors who performed poorly in terms of gender targets have been called to my office and we have had conversations about it. Management is sending a clear signal that they will be held to account for this. That is also why in the context of the Accountability Framework there are clear targets and these Directors all have red lights next to their gender targets to signal that those departments are not doing a satisfactory job on that measure.

That is why the Accountability Framework was an important mechanism for keeping on top of this issue. This is not necessarily the type of monitoring that the Board has to do. Management has to do the monitoring, and I want to reassure the Board that management is doing so. I see the

diversity numbers monthly. Directors know that they are being watched and those Accountability Scorecards will form part of the APR discussions that management has with Directors this year.

The final point relates to the issue of flows and stocks, the strategy, the pace of promotions, and the overall success of the current approach. There is no doubt that the Fund's current strategy is forced to be gradual because we have chosen to make the staff more diverse through recruitment, while not having any particular affirmative action or positive discrimination in the promotion process. The strategy has been to provide a level playing field for promotions while having a hopefully more diverse recruitment pipeline.

There are three ways to have a more ambitious strategy. There could be a stock adjustment by moving some non-diverse staff out and recruiting many more diverse staff. We could grow the organization, spend more money, but at the moment the budget constraint is real and we have to make tradeoffs. Or we could have affirmative action or positive discrimination in promotions. Those are the three choices, and it is important to be candid that those are the options.

We have chosen not to increase the budget; we have chosen to keep a level playing field on promotions; and we have chosen not do a downsizing in order to address diversity. I wanted to lay those issues out candidly to the Board. This is not the time to revisit the strategy, but those are the options.

What can be expected under the current strategy is slow, steady, and hopefully stubborn and determined progress, because all of us need to collectively remain stubborn and determined to make this strategy work. At the margin, progress will only be made gradually.

The Diversity Advisor (Ms. Paul), in response to further questions and comments from Executive Directors, made the following additional statement:

I will start by addressing some of the questions in gray statements. One question related to the role of the Board and what the Board might do to further support the strategy. Based on best practices in leading diversity institutions, the Board is doing what Boards typically do, which is the oversight function. Having this formal meeting on diversity raises the level of attention to diversity throughout the institution. Linked with the accountability in management's work in this area, that has been very effective. Continuing this formal meeting would be very important.

Regarding the discussion note about innovative career development approaches, there were several questions about what those might be. The Fund has already adopted some of the approaches that other institutions have undertaken in this regard, in terms of the mobility program and Temporary Assignment Programs (TAPs). Other institutions focused on lateral moves, and some institutions refer to this as the lattice rather than the ladder. These institutions look for ways to provide interesting opportunities for staff to broaden their background within their current grades, and to create opportunities for additional recognition in their field or among colleagues. Those incentives worked well in situations where no promotion opportunities were available.

The Director of the Human Resources Department (Mr. Plant), in response to further questions and comments from Executive Directors, made the following additional statement:

There were a few questions about reconciling the budget constraints with the current stock problem, and the feasibility of meeting the 2014 benchmarks. It is difficult to see the path by which they would be reached. Recognizing that the stock changes slowly, flow targets were introduced in 2011 for the representation of women at the B-level, which allowed more transparency in how the Fund was moving toward the stock objective. The Board could consider whether that should be done for other groups of staff as well.

More importantly, one has to look beyond the stock and flow numbers and consider the infrastructure to support the ultimate promotion of diversity throughout the institution. What is the institution doing to develop careers? Is the Fund offering the same types of opportunities to all staff to get the kinds of exposure they need in the institution, to have the type of skills that are valuable throughout the institution and valuable as they get promoted?

Career development efforts are important. The mobility efforts that we are putting in place to ensure that staff can move between departments and get exposed to different kinds of work are critically important. There has been a problem of home bias. A certain amount of home bias is desirable because experience is valuable. However, it is also beneficial to take the experience in certain regions and transfer it to other regions, or take the experience in an area department and use it in a functional department, or vice versa. Thus we are making a major effort is to increase mobility for all staff.

It is important to continue to carefully examine the promotion data. There are some disturbing trends in the promotion data. The staff does not

have a good handle on the breakdown of all the trends. One of the efforts needed before any formal promotion review is to mine the available data, to look at it over a longer period and at different levels—not just at the A15 to B-level—to see how staff are moving through the organization. We want to look at promotion rates but also the length of time to promotion. There are a variety of measures of promotability and the staff has not exploited those data fully.

The other best practice that is developing across the institution, and that has to be applied uniformly, is to break down performance report data by gender, underrepresented groups, and other factors that might impede promotion.

At the end of every APR in the African Department, there is an extensive note that looks at performance measures by different groups and by different types of mission assignments. This note looks at whether there is discrimination against people who are working in Francophone countries versus Anglophone countries, or areas with regional central banks, to see what kind of biases exist. That needs to become best practice across the entire institution, and at the institutional level. We will try to do that in the coming year.

In tackling the B-level recruitment problem, as mentioned in the report, we convened the Advisory Committee on B-level Recruitment. It consists of the SPMs of various departments, particularly ones where there is some problem, to talk about the challenges in getting B-levels into staff.

This Advisory Committee has met and is just beginning its work. The committee will look at strategic objectives and the challenges in effectively recruiting at the B-level, particularly from diverse groups. The committee will examine how the Fund handles recruitment, not just idiosyncratic to a department, but how the Fund recruits people who will be fungible across the institution. What are the norms for the entire institution as we recruit at the B-level? What are the quality checks that we use so we do not get people who are limited in their approach to the institution in a particular department? The committee will then look at the tactical ways to improve the numbers both in terms of the sourcing, transition, retention.

Directors took the notion of a talent agent literally. Regarding the concept of talent agents, the important point is that there are networks that the Fund could use more effectively. These include networks of economists—networks back to the university but also back to the home country, back to the

centers of expertise around the world. These local networks can be a valuable resource. Thus, the idea is not to use staff members to find other individuals and recruit them. Instead, the intention is to mobilize the networks that do exist, particularly among the diverse staff.

There was a question on the pipeline of candidates for economist vacancies and how fast they move through the pipeline. The pipeline now has a fairly diverse balance of representation that has been achieved, particularly this year, through international recruitment missions in collaboration with the authorities. The recruitment missions have been to east Asia, Brazil, the Middle East, and Africa.

In addition to recruitment sessions, we also provide coaching ahead of time on how to approach a Fund interview, which is idiosyncratic. The diverse candidates from around the world are provided with adequate assistance and preparation. Currently, there are 42 candidates in the midcareer economist pipeline, 31 of which are from underrepresented regions. About 70 percent are sitting in the pipeline ready to be hired. That pipeline has to be refreshed to keep people coming into the Fund.

Unfortunately, that pipeline is moving very slowly. It is a good pool, but the Fund is not hiring many people at the midcareer level. Perhaps that will open up more, but now candidates will sit in the pipeline for a certain amount of time. There is a rule that candidates are taken out of the pipeline after a year. That duration has been extended for candidates from diverse backgrounds. Efforts have been made, particularly at the midcareer level, to make the pipeline diverse and qualified.

This will bring in a great deal of diversity in educational background. The midcareer hires typically do not come out of the U.S. and U.K. universities. More work needs to be done in gathering data on educational background, and I take that to heart. I would be loath at this point to commit to any benchmark on that before we start measuring it well.

The staff included a table on this issue which provided data from this year. I asked the same question as Mr. Meyer (GR), and I asked for data from last year. The response I received was that the data are not similar and would have to be adjusted. We should look at what is available rather than at anecdotal evidence from one particular group or hiring cohort.

The next question is, once the hiring is done at the B-level and at the midcareer level, what are the impediments to success for the hires from

underrepresented groups? Best practice has shown that the more swiftly midcareer hires are integrated into an organizational culture, the more successful that person will be. However, the integration at the Fund is slow.

We have recently put in place a committee of people who were recruited from outside and hired at the B-level. The committee is led by one of my colleagues in HRD who came into the institution just a few weeks ago. The committee will speak with other B-levels who have come from outside the Fund about the hurdles they faced and how those hurdles could be lowered.

It is more than an onboarding program. It is how we develop networks and strategies to insert people into the institution in a way that allows them to succeed in a fairly short period of time. Now that a reasonable number of people have been hired through the B-Level Diversity Hiring Initiative, we will evaluate that process and determine what can be done to better integrate them. It is a self-conscious effort on the part of HRD and others in the institution to look at the experience people have had and to see how that assimilation can be made easier.

An interesting point that emerged from the first meeting is that the issue is not simply assimilating new hires into the Fund. Part of the issue is how the Fund can absorb their experiences better. People commented that as long as they came to the Fund and sat quietly in their room and did what they were told, the assimilation was fairly easy. However, they did not think that was the reason they had been hired.

So the question is how to start the two-way exchange of experience. When the Fund assimilates these people, we do not turn them into the stereotypic Fund employee. The Fund needs to use the expertise that comes from outside the Fund. As I mentioned to some Directors the other day, the challenge of bringing staff back to the Fund after external mobility assignments is figuring out what to do with the experience that they have gained. In many cases, people feel that it is just forgotten, that they left for three years, and that they start where they left off. That should not be the objective.

The Acting Chair (Ms. Shafik) noted that she would take the point about the timing of the meeting to heart and would try not to schedule the next meeting in July.

Mr. Geadah made the following statement:

Mr. Plant mentioned that there were a number of people in the pipeline of midcareer candidates. The problem that was experienced in the Middle East region was that there were many candidates in the pipeline, but they were not hired. I do not know whether they were not qualified for the needs of the department or if there were no vacancies in the departments. Often there is a disconnect between whom the departments end up hiring and the pipeline.

I have spoken to some of these candidates. They get their hopes up that they might get hired, and their credentials suggest they are perfectly qualified. I do not know what the issue is. Perhaps this needs to be looked at.

I had a question about one of the recommendations in the report to define the meaning of “top candidates.” I am not exactly sure how that differs from what we have been doing.

The Director of the Human Resources Department (Mr. Plant), in response to further questions and comments from Executive Directors, made the following additional statement:

There is an issue that Ms. Paul raised when she looked at other institutions. We should reflect on whether the Fund is getting the top candidates, and it comes back to Mr. Geadah’s first question. There is a fairly predictable way of recruiting; there is a fairly predictable profile that the Fund looks for. The Fund is looking for macroeconomists that are broadly versatile in international finance-type macroeconomics.

The question is, does the Fund need slightly different sets of skills? Does the Fund need more financial skills, for example? Should the Fund draw more from the financial sector, and put less weight on academic qualifications and more weight on experiential qualifications? Will that serve certain departments better?

When I joined one of the recruiting missions I found what I thought to be an extremely qualified person for the EP, but he had not gone through the typical progression for an EP candidate. He did not have a Ph.D. from any university and he did not have the prototypical job market paper. The question is, should that person be in the EP? Is there another way to absorb him? Is that the kind of person at which the Fund should be consistently looking?

As I noted the other day, the Fund has changed in its mission and in the way it discusses matters with the authorities. There are different sets of

skills that are needed. The question is, to what extent does the Fund value that broad range of skills? Or is the “top candidate” the same one that the Fund has always sought? It is probably not true anymore. It merits a further discussion in the institution as to what the desirable basket of qualities will be.

The Acting Chair (Ms. Shafik) read the draft summing up.

Mr. Elder noted that he did not believe that all Directors had called for a faster pace in achieving diversity targets.

Ms. Florestal noted that a majority of Directors believed the Fund should move at a faster pace to achieve the 2014 diversity targets, given that the targets would not be achieved at the current pace. She noted that the Acting Chair had made a commitment not to hold the next Annual Report on diversity in July. She remarked that the summing up from the previous Annual Report had called for periodic review, which was meant to be more frequent than annual reviews. Consequently, she asked for the summing up to call for biannual review.

Mr. Eapen noted that the diversity benchmarks were based off the quota and that it could be time to reexamine how they worked in practice.

The Acting Chair (Ms. Shafik) responded that she did not want to commit to biannual reviews. She suggested scheduling the next annual report in eight to nine months and then reassessing the situation. With regard to the pace of the diversity efforts, she noted that it was best to maintain the 2014 targets and consider new benchmarks sometime in 2013. She added that management and HRD were monitoring the Fund’s diversity efforts closely and that they would be happy to share any relevant data with Directors. Additionally, the Accountability Framework was monitored every six months with Department Heads. These mechanisms would tighten the degree of monitoring and accountability. She noted that the Diversity Agenda was widely-held throughout the Fund. In addition to the Diversity Council and the Diversity Reference Group, there were champions of diversity in every department, and she thanked them for their hard work.

The following summing up was issued:

Executive Directors welcomed the opportunity to discuss the 2011 Diversity Annual Report. They noted the benefits of staff diversity in enhancing the legitimacy and effectiveness of the Fund and acknowledged the progress made towards diversity strategy goals. Directors emphasized the need to continue to build on the diversity initiatives put in place to achieve the 2014 benchmarks and to strengthen the diversity strategy overall, while ensuring that recruitment and career development remain based on merit.

Directors noted that, with regards to diversity demographics, advancements in a number of areas were partly offset by movement in others counter to the institution's diversity goals. They considered that the share of staff from underrepresented regions has increased, both at the professional level and as a share of senior staff. A number of Directors noted, however, that much needs to be done to enable the Fund to meet the 2014 benchmarks and called for further efforts to increase the share of staff from underrepresented regions. While the representation of women increased in the professional grades, the share of women at senior levels dropped slightly. Directors emphasized the importance of continued efforts to increase the share of women and of staff from underrepresented regions at senior levels.

Directors noted that this year's Economist Program was a source of both regional and gender diversity. Directors emphasized, however, that the Fund will need to strengthen the diversity agenda in a comprehensive and longer-term perspective, including innovative career development approaches and ways to enhance the pipeline of promotions of staff from diverse backgrounds. Many Directors emphasized the merits of greater diversity of academic backgrounds, including for the Economist Program, and of professional experience in fostering independent and creative thinking, and a number of these Directors saw the role of mid-career professionals in nurturing diversity of thought. A few Directors asked for objectives and indicators in these areas.

Directors expressed support for the diversity-related initiatives in response to the 2010 staff survey, specifically the importance of clearly communicating the business case for diversity and the increased attention to inclusion, while ensuring that performance drives recruitment and promotions.

Directors considered the revisions that have been adopted to improve the Diversity Scorecard, noting that they should be implemented fully, although a few Directors saw the need to improve the scorecard further. Directors stressed the importance of strengthening the accountability framework for senior managers and integrating the agenda into human resource policies and practices, including increasing the diversity of senior personnel managers. They called for looking carefully at promotion data over time broken down by gender and underrepresented groups. A few Directors called for a review of perceived discrimination to ensure that promotions are made on an equal-footing basis. A few Directors noted the need to help move the pipeline of candidates from underrepresented regions that have

successfully completed the interview process. A few other Directors questioned the rationale of basing diversity benchmarks on quotas.

Directors noted that steps have been taken to follow up on issues raised during the Board's consideration of the 2010 Diversity Annual Report, in particular, through the survey of practices in comparator institutions. Most Directors welcomed the finding that the approaches used by the Fund were broadly aligned with effective practices in other international institutions, but noted that the Fund could strengthen practices to broaden the diversity agenda as recommended in the paper. A few Directors expressed reservations about the relevance of the survey of comparators. Some Directors had reservations about using Fund staff as "talent agents" as they believed that this practice would likely not increase diversity in background and thinking.

Directors endorsed the IMF Diversity and Inclusion Statement set out in the Diversity Annual Report. Emphasizing that much remains to be done to achieve the 2014 benchmarks, Directors encouraged management and staff to make further progress with the diversity agenda in the year ahead.

APPROVAL: April 11, 2013

JIANHAI LIN
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

Underrepresented Groups

1. *We welcome that there is an increase in staff from underrepresented regions and also at the B-level. We are pleased that the Fund achieved 80 percent of its target in FY2012. As this ratio continues to improve, we would be interested to receive information on the gender ratio among staff from underrepresented regions and would like staff to include such data in future reports.*

Below please find data on the share of women by region.

Gender by Region, Grades A9-B5 1/ 2/
(As of April 30,2012)

	A9-A15					B1-B5				
	Women		Men		Total	Women		Men		Total
	No.	Percentage	No.	Percentage		No.	Percentage	No.	Percentage	
Africa	35	2.0	88	5.1	123	4	1.3	11	3.4	15
Asia	132	7.7	188	11.0	320	10	3.1	39	12.2	49
<i>of which East Asia</i>	92	5.4	107	6.3	199	5	1.6	11	3.4	16
Europe	214	12.5	402	23.5	616	29	9.1	110	34.4	139
<i>of which Transition Countries</i>	92	5.4	77	4.5	169	3	0.9	4	1.3	7
Middle East	25	1.5	49	2.9	74	2	0.6	10	3.1	12
US and Canada	153	9.0	216	12.6	369	18	5.6	59	18.4	77
Other Western Hemisphere	64	3.7	143	8.4	207	4	1.3	24	7.5	28
Total	623	36.5	1086	63.5	1709	67	20.9	253	79.1	320
Underrepresented regions	244	43.2	321	56.8	565	14	28.0	36	72.0	50
Other regions	379	33.1	765	66.9	1144	53	19.6	217	80.4	270

Source: PeopleSoft HRMS; Report ID: EMP_INFO

1/ Excluding Office of Executive Directors (OED) and Independent Evaluation Office (IEO)

2/ Percentages of staff for individual regions are based upon total staff in the relevant grade range.

Percentages of staff for region groups (i.e., "Underrepresented Regions" and "Other Regions" are based upon totals for the region group.

2. *While we commend staff for the success of the B-level Diversity Hiring Initiative, we wonder how much further the initiative could be developed, in light of its temporary nature. Comments would be appreciated.*

The goal of the B-level Diversity Hiring Initiative is for departments to absorb individuals hired through the program on a more permanent basis subject, of course, to standard assessment of longer-term fit with business needs.

3. *We welcome an update from staff on the recent initiative to recruit women from the Middle East.*

HRD has in recent years taken several steps to increase the representation of Middle East nationals in the Fund. These include recruitment mission to the region, targeted career fairs,

working with the Economics Research Forum (ERF) and Saudi Arabia Cultural Mission (SACM) as well as direct headhunting to increase the pool of potential candidates. For experienced economists, 13 out of the 61 candidates interviewed during recruitment missions in 2011-2012, were female (21 percent). Of these, two female economists (Egypt) are planned for the next stage of interviews in Washington DC in November 2012, and one female (Lebanon) economist passed the mid-career panel in 2011 (*but declined the offer*). In the Economist Program (EP), 23 candidates from the region (17.8 percent) were interviewed for the 2012 Economist Program, of which eight were female. From this, three Middle East candidates (including one female) were hired for the 2012 EP and will join the staff in September 2012.

4. *We would appreciate data from staff on promotions within the B-grade, including those that came in under the B-level Diversity Hiring Initiative.*

Promotion data within the B-grade can be found in Annex Table 11 in the 2011 Diversity Annual Report. Below is a summary by regional groups and gender:

Regional Groups:

- Underrepresented regions: 16 percent of stock; 22 percent of promotions
- All other regions: 84 percent of stock; 78 percent of promotions

Gender:

- Women: 21 percent of stock; 34 percent of promotions
- Men: 79 percent of stock; 66 percent of promotions

Given the recent implementation of the B-level Diversity Hiring Initiative (i.e., the first appointment taking place in FY2011), promotion data is not available on these hires.

5. *The report fails to highlight the regional composition of women hires which could skew recruitment away from the underrepresented regions, thereby undermining the entire diversity agenda. Could staff provide a regional breakdown of women hires?*

Below please find a regional breakdown of women hires in FY12. As noted, virtually half of the hires were from underrepresented regions.

Women Appointments by Region, Grades A9-B5
FY12

	A9-A15		B1-B5	
	#	%	#	%
Africa	1	2.33	0	0
Asia	12	27.91	0	0
<i>of which</i> East Asia	10	23.26	0	0
Europe	13	30.23	0	0
<i>of which</i> Transtion Coutries	7	16.28	0	0
Middle East	3	6.98	0	0
US and Canada	10	23.26	0	0
Other Western Hemisphere	4	9.30	0	0
Total	43	100	0	0
Underrepresented regions	21	49	0	0
Other regions	22	51	0	0

Source: PeopleSoft HRMS, Report ID: EMP_INFO.

1/ Total number of staff from each region at each grade group as of April 30.

Career Development and Promotions

6. *We would welcome more detail from staff on the proposal to link diversity to performance.*

One example of the link between diversity and performance is the new Accountability Framework (AF). Currently the diversity benchmarks are in the AF and going forward Goal 4 of the Diversity Scorecard that currently measures buy-in will also be added in. As the AF is used by management in their performance evaluations of department heads, diversity is also a part of that performance discussion. Other examples include policy measures recommended under the Diversity Action Plan, including introducing diversity competence metrics into the performance evaluation process for managers and staff, and expanding on the diversity composite in the SAM to build a more comprehensive assessment of managers' performance in this area. These recommendations will be explored as part of the second-wave initiatives under the Staff Survey Action Plan.

Diversity of Education and Expertise

7. *Last year's Diversity Report offered a country-based overview of educational backgrounds of staff. We would be interested in an update of that table and in learning more about developments over the last five to ten years in that area, especially regarding new staff members.*

Below please find a table reflecting the country of doctoral degree for A9-B5 staff. The current data reflect historical trends.

A9-B5 Staff Holding a Doctorate Degree 1/
As of 06/26/2012

University Country	Economist		SCS		Total	
	No.	%	No.	%	No.	%
Total (Worldwide)	676	100	50	100	726	100
Total Top 20 Countries	656	97.04	47	94	703	96.83
United States	429	63.46	31	62.0	460	63.36
United Kingdom	61	9.02	4	8.0	65	8.95
France	24	3.55	0	0.0	24	3.31
Canada	20	2.96	1	2.0	21	2.89
Germany	20	2.96	1	2.0	21	2.89
Italy	19	2.81	2	4.0	21	2.89
Netherlands	18	2.66	3	6.0	21	2.89
Switzerland	15	2.22	1	2.0	16	2.20
Belgium	8	1.18	1	2.0	9	1.24
Sweden	9	1.33	0	0.0	9	1.24
Japan	6	0.89	0	0.0	6	0.83
Russia	5	0.74	0	0.0	5	0.69
Australia	4	0.59	0	0.0	4	0.55
Austria	3	0.44	1	2.0	4	0.55
China	3	0.44	1	2.0	4	0.55
Czech Republic	3	0.44	0	0.0	3	0.41
Denmark	3	0.44	0	0.0	3	0.41
Spain	3	0.44	0	0.0	3	0.41
Argentina	1	0.15	1	2.0	2	0.28
Armenia	2	0.30	0	0.0	2	0.28

Source: PeopleSoft HRMS, DIV_EDU

1/ Based upon best available, self-reported data.

Diversity Benchmarks

8. *We would be interested to know how the benchmarks are set since they appear not to bear any consistent relationship with the quotas.*

The report of the Diversity Benchmark Working Group (2009), which may be found on the Diversity site on HR Web, outlines the development of the diversity benchmarks, including their relationship to the Members' quotas in the Fund.

Diversity Action Plan

9. *We welcome the establishment of the Diversity Action Plan which seeks to further integrate the diversity strategy into the Fund's broader HR policies and practices. However, a detailed matrix of measures and accompanying timelines would be helpful in guiding and assessing implementation of the Plan.*

10. *The diversity strategy cannot be a stand-alone strategy and therefore needs to be integrated into the Fund's broader strategy. We would appreciate if staff could articulate about further works in collaboration with HRD and other departments on this front.*

11. *We welcome the new emphasis on inclusion and the gradual integration of the diversity agenda into HR policies and practices, including in the Accountability Framework for Department Heads and the planned implementation next year of a Diversity Action Plan. We would appreciate further elaborations on the main aspects of these initiatives.*

Details of the Diversity Action Plan can be found on the Staff Survey site on HR Web. In summary, the first wave measures of the Plan will be implemented over FY2013, and will become part of the Diversity Office's work program thereafter. These initiatives include:

- developing and delivering a core learning curriculum to build individual and institutional capacity for effective engagement in an internationally diverse workplace;
- assisting women and staff from underrepresented groups in building relationships that will support their career development, including establishing a mentoring program for mid-career underrepresented staff new to the Fund, as well as career development strategies and tools for use in developing and accessing networks in the Fund;
- a communications campaign to address the need for clarity and specific knowledge, awareness and skills for understanding and communicating about diversity and inclusion. Tools would include an increased diversity presence on the Fund's external website, online resources to assist staff and managers in navigating in a multicultural environment, and opportunities for dialogue on diversity and cultural understanding; and
- assessments to allow for a more systematic understanding of experiences of staff of different backgrounds, including refocusing the Goal 4 survey in the Diversity Scorecard to include staff's experiences with the work environment and inclusion.

Subsequently, we will begin to implement policy recommendations, including developing and delivering training programs for managers and new staff on managing and working effectively in a multicultural environment; linking diversity competency to performance and work effectiveness by introducing diversity competence metrics into the performance evaluation process for managers and staff; establishing Employee Resource Groups for staff from underrepresented groups; and linking diversity to the work of the Fund by developing and articulating the business case on diversity.

Regarding the Accountability Framework, it currently includes Goal 1 of the Diversity Scorecard, which captures progress towards the diversity benchmarks, but once the recommendations of the Scorecard Working Group are implemented for Goal 4 of the Diversity Scorecard, these goals will be phased into the Accountability Framework, as well.

Mobility

12. *We also hear complaints that since the diversity scorecards are applied at the Departmental level, it has severely constrained staff movement between departments, especially from staff members from over-represented groups. Do management recognize this issue? Is it being monitored? What steps could be considered to ensure it is not an issue?*

A main objective of the mobility initiative in the Staff Survey Action Plan is to ensure that staff in A14-B3 grades have equal opportunity for mobility. We expect this effort to help address some of the anecdotal information concerning unevenness in mobility opportunities.

Other Issues

13. *We note the recommendation to engaging all staff to serve as “talent agents” for the Fund. We would advise the Fund to exercise great care in how it approaches the names identified by its internal “talent agents.” The Fund needs to be aware of the sensitivities of directly approaching candidates from member authorities. The staff’s view is appreciated.*

The recommendation is intended to help expand the database of individuals who might be interested in exploring a career in the Fund, as well as develop relationships with relevant professional associations as a potential source of talent, with a broad goal of tapping into underrepresented groups. Under this recommendation, staff would not assume any recruitment functions, but would only provide information to recruitment of individuals whom they would suggest to be added to a database to receive information from the Fund.

14. *We note that childcare benefits for children under 5 years are minimal for Fund staff. Might that work as a disincentive for younger professionals to join the Fund?*

The Fund offers a few benefits that are of value in particular to staff with young children, such as an on-site childcare center, provisions for parental leave with pay and leave without pay for personal reasons. The Fund also supports a variety of flexible working arrangements, including working from home. The most recent comparator-based review of core benefits was distributed to the Board in June 2011 (EBAP/11/60). The review showed that, for parental leave, the Fund benefit is lower than those offered by public and private sector organizations in France and Germany and higher relative to the U.S. market. A similar pattern emerges with paid leave.

15. *We consider diversity among the Fund's senior HR decision-making cadre critical to achieving the Fund's overall diversity objectives. The continued low proportion of underrepresented groups is a cause for concern. The staff's views on proactively overcoming this challenge will be welcomed.*

16. *SPMs and Division Chiefs from underrepresented regions account respectively for only 10 and 15 percent of Fund SPMs and Division Chiefs in FY2012. We encourage management to work on reversing this trend and consider whether the introduction of*

indicative benchmarks on the share of SPMs and Division Chiefs from underrepresented regions would be helpful.

A listing protocol was established in late 2010, which requires that shortlists for all vacancies at A15-B3 include at least one competitive women or a national from an underrepresented region. This approach, along with heightened focus on diversity through the Accountability Framework, will continue to be used to help increase the proportion of staff from underrepresented groups among senior HR decision-makers.

17. Could staff elaborate on the rationale for the parsimonious approach to improving the diversity scorecard and provide assurances that the prompt and effective completion of this critical project will not be unduly delayed because of budgetary considerations?

The capital budget request for this project was US\$ 300,000. In view of the competing institutional demands, and the capacity within the HR department to move the project ahead, it was decided that a phased in approach over multiple years would be the feasible way to proceed. The funding of US\$ 100,000 allows for the work to begin in FY13, and for a second capital budget request to be made in FY2014 for the remaining US\$ 200,000 to complete the work.

18. To address issues of resistance to diversity or “backlash,” it could be useful for the Fund to undertake a discrimination review exercise similar to the one conducted in 1996 which “enabled any staff member to request a review of any Fund action that he or she regarded as discriminatory and to have had an adverse effect on Fund employment or career, no matter how far in the past these events has occurred.” The staff’s comments are welcome.

The discrimination review in 1996 led to new and strengthened channels for staff to address staff concerns regarding discrimination and other adverse employment actions prohibited by GAO 33. These include, but are not limited to, the Ethics Office, including the Integrity Hotline, as well as the continued improvement and expansion of the dispute resolution process through programs like the new mediation process.

In addition, the next staff survey (scheduled for 2013) will be enhanced to better monitor experiences with the work environment and inclusion, including by analyzing differences (and similarities) between groups. Results will serve as the basis for Goal 4 of the Diversity Scorecard. In addition, staff intends to examine results of the assessments the Ethics Office is undertaking currently on harassment and bullying, as it may reveal concerns around discrimination given the close relationship between these adverse actions. If findings of either the Goal 4 survey or the Ethics Office’s assessment reveal patterns of discrimination, further action will be taken consistent with the Fund’s policy against discrimination.

19. On the TGS Global Campaign, it is somewhat disappointing that the complex and costly hiring process resulted in only 13 hires in TGS. What have been the obstacles for not having a larger number of hires achieved through this initiative? Are there any similar initiatives planned in the future for other departments?

The TGS Global Recruitment Campaign resulted in a large number of highly-qualified applicants who are now part of a pool of talent from which TGS can and intends to draw on as vacancies become available in the future. A number of aspects of the campaign are consistent with recommendations noted in the Supplement to the Annual Diversity Report. These include emphasis on a centralized approach to build a global pool of talent for future sourcing and consulting staff about the best (that is, most widely and credible) means of communicating a recruitment mission or job posting directed to their respective country and/or region of the world.