

June 1, 2015
Approval: 6/8/15

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 14/101-1

10:40 a.m., November 19, 2014

1. FY 2014 Diversity and Inclusion Annual Report

Documents: EBAP/14/98 and Supplement 1, and Supplement 2

Staff: Plant, Alhusseini and Younes, HRD; Andrews, FIN

Length: 2 hours, 39 minutes

Executive Board Attendance

C. Lagarde, Chairman

Executive Directors

C. Kapwepwe (AE)

N. Yambaye (AF)

P. Nogueira Batista, Jr. (BR)

H. de Villeroché (FF)

C. Cottarelli (IT)

M. Kajikawa (JA)

M. Snel (NE)

A. Mozhin (RU)

F. Alshathri (SA)

S. Field (UK)

Alternate Executive Directors

O. Hendrick (AG)

V. Plater (AP)

P. Sun (CC)

M. Arbelaez (CE)

A. Brunelle-Côté (CO), Temporary

S. Benk (EC)

S. Meyer (GR)

I. Chaturvedi (IN), Temporary

A. Jbili (MD), Temporary

S. Geadah (MI)

P. Meyersson (NO)

P. Tangcharoenmonkong (ST)

M. Radziwill (SZ)

J. Weiss (US), Temporary

J. Lin, Secretary

L. Bonato, Summing Up Officer

V. Zavacka, Board Operations Officer

P. Martin, Verbatim Reporting Officer

Also Present

African Department: C. Delechat, M. Hussain, A. Sayeh, R. Velloso. Asia and Pacific Department: A. Jamaludin, M. Loddo, M. Sahasranam, L. Zhang. Communications Department: N. El-Gebaly, D. Hawley, M. Narain, R. Weeks-Brown. European Department: E. Gardner, M. Shannon, V. Stepanyan. Fiscal Affairs Department: N. Kharbanda, A. Okello. Finance Department: D. Andrews, L. Khaw, S. Prowse. Human Resources Department: N. Alhusseini, B. Anderson Jr., O. Fleurence, Y. Jiang, K. Karvelas, T. Peters, M. Plant, A. Vazquez, N. Younes. Institute for Capacity Development: D. Desruelle, M. Fouad, I. Kouropatkina, K. Nelson-Indre, G. Paone. Middle East and Central Asia Department: P. Khandelwal. Office of Budget and Planning: G. Conway. Strategy, Policy, and Review Department: T. Koranchelian, S. Nolan. Statistics Department: C. Baker,

E. Weisman. Technology and General Services Department: N. Harikrishnan. Western Hemisphere Department: N. Chalk, A. Cheasty, R. Rennhack, A. Werner Wainfeld. Senior Advisors to Executive Directors: T. Lessard (CO), A. Marcussen (NO), R. Ngugi (AE). Advisors to Executive Directors: T. Almutairi (SA), M. Atamanchuk (RU), P. Ayissi-Etoh (AF), E. Boukpepsi (AF), W. Choi (AP), J. Clicq (NE), V. De la Barra (AG), O. Diakite (AF), D. Douglass Kochman (US), R. Espinel (BR), V. Gibbs (UK), R. Jonsdottir (NO), M. Kapur (IN), R. Kharel (ST), X. Li (CC), M. Lindpere (NO), I. Lopes (IT), K. Masuhara (JA), N. Meads (UK), M. Mehmedi (EC), M. Merhi (MI), T. Nguema-Affane (AF), E. Ondo Bile (AF), J. Osinska (SZ), L. Piana (FF), I. Rajabov (SZ), T. Remengesau (AP), B. Repansek (EC), S. Sagdullayev (AP), K. Silston (CO), M. Spinella (IT), R. Teng (CC), T. Tlelima (AE), H. Zavarce (CE), C. Ziegler (GR), F. Santarosa (BR).

1. **FY 2014 DIVERSITY AND INCLUSION ANNUAL REPORT**

Mr. Cottarelli, Mr. Catsambas and Ms. Quaglierini submitted the following statement:

We welcome the informative report prepared by the Diversity Office and HRD and support the revised diversity and inclusion strategy, including the new benchmarks for 2020.

At the same time, a deeper discussion of the roots of underperformance against the 2014 targets would have been welcomed. In particular, we wonder whether possible cultural or managerial issues may have played a role—a possibility that would suggest a need for a wider discussion within the institution. In this respect, we find that airing the concerns about diversity among staff (e.g. by voicing fears of “reverse discrimination”; see paragraph 53 of the companion paper) helps the transparency of the diversity initiative. We also understand that some concerns by the “mainstream” groups may have been exacerbated by (unavoidable) budget constraints.

To overcome these difficulties, we favor the “corporate” or “institutional” approach set out in the paper to try to promote diversity by allowing a broader discussion of the benefits for the institution as a whole, including the enhanced legitimacy that this would entail for an international organization like the Fund. We strongly concur with staff that “the aim is not to place diversity above merit; rather it is simply to remove obstacles that may hinder the advancement of qualified candidates,” as indicated in paragraph 45 of the companion paper.

Regarding the specific proposals by the DWG we take note of the decision to start a talent review for A14 economists and (SCS) A13 staff. In taking the final decision on whether this approach should be rolled out to all departments we would suggest looking closely at the costs of this initiative, which does not seem to be trivial, given the number of staff involved,

In order to keep better track of diversity trends within the institution we support the initiative to monitor also the dual nationalities of staff. Indeed, we think a more formal role should be played in the Diversity Scorecard by dual nationality information. We are also sympathetic to the proposal to strengthen a more diverse educational background, and encourage staff to explore further avenues to broaden this diversity dimension.

Turning to inclusion issues, we were struck by the modest results regarding staff's perceptions of inclusion (table P of the main paper). First, the support of the 58 percent is rather low. Second, the skeptical opinions show high homogeneity in terms of both regions and gender (the results are almost identical). Thus, it appears that "inclusion" is an issue that transcends diversity considerations. We would suggest further investigation of this issue.

Mr. Dupont, Mr. McGrath, Mr. Brunelle-Côté and Mr. Dalrymple submitted the following statement:

We welcome the opportunity to discuss the 2014 Diversity and Inclusion Annual Report. We reaffirm our strong support for the pursuit of a more diversified, representative workforce and an inclusive work environment. Diversity is critical for the effective execution of the Fund's global mandate and for sustaining and strengthening the legitimacy of the institution.

While there has been progress over the last years, diversity's challenges continue to confront the institution and it is disappointing to note that only three of the eleven quantitative benchmarks have been met by end-FY2014.

The Diversity Working Group provided a useful analysis of the benchmarks and results achieved to date, and proposed adjustments. At this juncture, we believe that a more strategic discussion of reasons for persistent gaps on most benchmarks and a reflection on corporate changes needed—to processes or culture—would be necessary. In particular, we would have appreciated:

A clearer assessment of the factors explaining the outstanding gaps vis-à-vis the 2014 diversity benchmarks. Is the failure to meet benchmarks a result of the shortcomings in our policies or processes, or rather the reflection of challenges posed by the "culture" of the institution? Without such an analysis it is difficult to identify priority actions to improve the performance of the Diversity Plan;

A more compelling discussion of the relative importance of the benchmarks and an analysis of whether we are benchmarking the right things. There is a trade-off between the pursuit of diversity across a wide range of attributes and the identification of priorities for action that target more critical and persistent gaps;

Consistent with the above, a reflection on whether too much emphasis is placed on reaching a complex matrix of numerical targets at the expense of driving corporate-wide cultural change;

A clearer sense of the action plan to ensure that the Fund meets its 2020 goals. As currently presented, the Diversity Report gives the impression that we are pursuing substantially the same benchmarks and the same strategy that to date have failed to achieve our diversity objectives.

There are also some very good elements in the report. In particular, we appreciate the general recognition that the diversity agenda must be an integral part of the broader HR strategy.

We recognize that difficulties to reach benchmarks can be partially explained by low staff turnover. To echo a point we made during the recent discussion on the employment framework, managing performance and having the flexibility to increase staff mobility could play a role in expanding opportunities for renewal and in enhancing diversity.

Specific attention should be given to recruitment strategies that would be better adapted to seek out qualified mid-career professionals and that would facilitate staff mobility. We fully support the Working Group's recommendation to develop a "corporate" approach to mid-career hiring—modeled on the EP program. Exit information should also be used to detect and react to any adverse pattern in the early separation of such hires. All of our efforts to recruit a diverse workforce will be of limited value, if diverse staff cannot be retained or are not provided with the tools to succeed.

We also appreciate the clear acknowledgement that strengthening diversity is necessary, but not sufficient, to ensure an environment where diversity of thinking is encouraged, and various perspectives are shared and heard. The 2013 Staff Survey Inclusion Index results show that a large share of staff does not feel included. We welcome efforts for an Inclusion Action Plan. We also note the importance of the new Leadership Development Framework to set clear expectations for managers' behaviors. The challenge going forward will be to monitor progress and ensure accountability.

The ongoing program of education, awareness and training is critical to ensure that the purpose of the diversity and inclusion strategy is fully understood. This will go a long way in reducing some of the pockets of internal resistance and misgiving among some staff about diversity initiatives. In that regard, we note the many valuable initiatives taken by several

departments and we invite the Diversity Office to continue promoting such best-practices within the organization as well as to benchmark these to comparator organizations.

In conclusion, strong and resolute support by management is key to accelerate and sustain progress toward greater diversity and inclusion. Engagement across the organization, as promoted by the Diversity Working Group, is also essential to ensure that positive change has a bottom-up dimension. Management, the HR and Diversity teams, and staff can count on this chair to continue to support an action-driven, goal-oriented diversity and inclusion agenda.

Ms. Arbelaez and Mr. Zavarce submitted the following statement:

We acknowledge the progress achieved in diversity benchmarks by geography and gender but are concerned by the less diverse staff appointments in FY2014. Table A (page 9) shows that efforts have been going in the right direction since 2009. We recognize the challenges of searching and matching talent with openings along the several dimensions of diversity to attain targets while keeping high professional standards. We welcome the European transition countries and B-level economist women targets achieved. More action is needed to achieve MENA+ gender targets. In terms of flows, we note a larger allocation to underrepresented regions. However, the share of mid-professional/B-level women hired and underrepresented regional groups have declined while hiring EP women has been difficult. We appreciate staff's elaboration on causes (paragraph 7, paragraphs 9-10) and remedial actions for FY2015.

We advise not to overlook intraregional diversity. We note that more work is needed to strengthen intra-regional diversity in Western Hemisphere and Europe. Several countries are still underrepresented (Annex III). We encourage staff's broadening the pool of universities in South America and Spain for EP recruitment missions and coordinate support with ED offices (Annex XIV). The staff's elaboration is welcome.

Diversity and inclusion are playing an increasing role for managing staff's resources. Looking forward, we support the new Diversity Benchmarks for 2020.

We acknowledge that policies and processes are in place to recruit, develop and promote underrepresented staff to move towards the benchmarks, while maintaining the Fund's highest standards for selection (Annex XV). We

welcome the implementation of the accountability framework (paragraphs 25-26) monitoring commitments at the departmental level and the joint work among management, Departments and the Diversity Office in fostering staff awareness and addressing staff inclusion concerns through an Inclusion Action Plan (paragraph 30 and Annex XXII). The 2013 staff survey yielded a 58 to 18 percent favorable rating on inclusion, although unfavorable neutral answers signal a large number of Fund staff feeling excluded. The staff's comments including remedial actions are welcome. We look forward to improvements on the inclusion index in the next staff survey and encourage staff to monitor the inclusion indicator and review semiannually the effectiveness of activities and managerial practices aimed at that goal. We support a broader monitoring of diversity dimensions in line with the 2012 D&I Statement. We would like staff's comments on the strategy to expand dimensionality, including family composition, age, disability, religion, ethnicity and sexual orientation (paragraph 34). The staff's elaboration on management concerns on retaining Gen Y is appreciated.

Mr. Kajikawa and Mr. Watanabe submitted the following statement:

Promoting greater staff diversity is one of the most urgent issues that the Fund needs to address not only because the Articles of Agreement legally require the Fund to recruit staff on "as wide a geographic basis as possible," but also because this would bring about material benefits to the Fund's fulfilling its mission as summarized in the 2012 Diversity and Inclusion (D&I) Statement.

The FY2014 D&I Annual Report shows that the progress achieved in FY2014 was mixed and it is disappointing that only three of the eleven quantitative benchmarks for underrepresented groups were met by end-FY2014. While we welcome a set of recommendations with new benchmarks for 2020, being the set based on a fair scenario analysis made by the Diversity Working Group (DWG), we stress that more efforts should be made in order to attain the new benchmarks in the context of the overall HR Strategy with a strong emphasis on changing management behavior and institutional culture. With this general remark, we will offer the following specific comments:

It goes without saying that staff recruitment is a key element to increase staff diversity. In order to further expand the recruitment from the underrepresented countries, and to steadily and effectively acquire internationally competent talents from underrepresented regions, we urge staff to deepen their understanding of labor markets in different member countries

(paragraph 43) and to continue their recruit missions on an annual and global basis. The staff's comments are welcome.

It is the Fund's mandate to provide the member countries with practical policy advices through surveillance, consultations, Fund-supported programs, as well as technical assistance. From this view point, the Fund staff should be capable and experienced as policy advisors not only with sufficient analytical skills but also with different views and thoughts. In this regard, the Fund should actively search skilled talents worldwide under its mid-career recruitment activities so as to diversify staff in terms of experience and expertise. We also support the strengthening of corporate hiring, which is consistent with the recently approved new employment framework, and the creation of a centrally selected mid-career program for fungible economists on a pilot basis as the Fund's decentralized hiring practice would be an obstacle to staff diversity.

We acknowledge that staff hired under EP recruitment has successfully been more diversified. This said, considering the undeniable fact that the number of PhD candidates, especially female ones, whose doctorate studies are related to macroeconomics is decreasing, it would be urgently important for the Fund to expand the target of EP recruitment beyond macroeconomics discipline and PhD holders. In this regard, the Fund should seriously consider a concrete approach to those graduate students who study macroeconomics-related subjects in their finance, public policy, or international relations majors. The staff comments would be appreciated.

Last but not least, the report shows that, based on the staff survey results, the majority of the staff does not feel included. In this regard, more focus should have been given in the report on how the inclusion would be addressed. Indeed, staff diversity and inclusion are interrelated. In order to maximize the benefits from staff diversity, the Fund should foster corporate culture and atmosphere which would enable staff to feel that they are included and their differences are valued. We urge management to redouble its efforts in implementing various initiatives to address this issue.

Mr. Benk and Mr. Repansek submitted the following statement:

We appreciate the Annual Report on Inclusion and Diversity. We welcome the reported progress, but note that it has been uneven. We continue to support the efforts to increase diversity and inclusion, and wish to add the following comments for emphasis.

Further action is warranted in areas lacking progress, but expectations on the improvements should remain realistic. Exploring the reasons behind the limited progress, assessing the efficiency of the measures taken thus far, and deciding on the appropriate further action is warranted. In this regard, the substantial lags behind the benchmark for the Middle East and North Africa (MENA+) in the A9-B5 level, and for the transition countries at B level should be addressed. However, in general, expectations about reaching benchmarks should be realistic, in view of the limitations posed by staff turnover, the size of the recruitment pool, the number of promotions, and other obstacles.

We disagree with the discontinuation of the benchmarks for transition economies and find the decision to be premature. Although the benchmark for transition economies for the entire A9-B5 level was already reached two years ago, there has been no progress in the past four years in reaching the 4.0 percent B-level benchmark; its share even fell slightly last year to 2.1 percent. We find arguments in favor of the discontinuation of the B-level benchmark on transition economies insufficiently convincing, because so far, the data does not reflect any improvement, and the difference between the benchmark and actual value remains substantial.

Recruitment and promotion should remain merit based. Any perception of the contrary may heavily impact on staff morale, which is to be avoided. In this context, the identified “fear among the ‘mainstream’ groups about being losers from the Fund’s efforts to increase diversity” is a warning sign that requires more attention. We encourage more elaboration and strengthening the internal communication on the business case for diversity, that should help avoid the perception of unfair treatment among staff from overrepresented groups.

Educational diversity warrants further promotion. We welcome the increase of Economist Program appointees with PhDs from universities outside the United States and Canada, and encourage further efforts to increase educational diversity. The Fund’s ability to provide the best possible advice on economic policies is likely more related to staff’s educational rather than national diversity.

The unfavorable rating on inclusion (given by 18 percent of staff) should be improved by the long- and short-term measures. The action plan initiatives, mentoring, and the support and inclusion activities appear to be appropriate for improving inclusiveness. However, the Diversity Working Group also emphasized the importance of addressing “soft” working

environment matters, and proposed concrete short-term measures to support inclusion. The staff's comments on the process and time needed for their implementation would be appreciated.

We have reservations about the suggestion for a more centralized hiring, as the responsibility for delivering high-end services is concentrated at the departmental level. Also, promotion decisions made at the departmental level are more likely to be merit-based. Lastly, departments are close to the clients, understand their needs, and can therefore appropriately adjust to changes, also through recruitment decisions. However, we note the different arguments and support further discussion on this subject.

Mr. Meyer and Ms. Ziegler submitted the following statement:

We thank staff for the well-written and insightful annual report on diversity and inclusion. We agree with staff that progress in achieving diversity in the Fund over the last year was mixed and uneven: only three of eleven diversity benchmarks were met and a large number of Fund staff does not feel included. This constitutes a somewhat disappointing result in light of the considerable efforts made in advancing the diversity agenda.

We broadly support the revised diversity and inclusion strategy and its new benchmarks for 2020, while emphasizing that educational background as a proxy for diversity of thought merits its own (soft) benchmark in parallel with regional and gender diversity.

The Fund with its global membership is particularly committed to cultural and educational diversity adequately representing the 188 member countries, while ensuring an inclusive environment. Therefore, it is important that management clearly communicates its concerns about the still uncompleted agenda. We fully agree with the Diversity Working Group that efforts in assessing the reasons, why some benchmarks have not been met, have to be continued by re-enforcing the Fund diversity policy. Furthermore, inclusion is an increasingly critical part of the Diversity and Inclusion Strategy and we encourage management to further improve the preconditions for a comfortable and inclusive work environment.

Overall, the new benchmarks (with the focus on reaching the three most important ones) appear to be the right step, promising less complexity and alleviating oversight. Also, having flow targets in addition to stock targets may help to identify lacks in diversity efforts at an even earlier stage. However, we have some reservations towards the different approaches of

using the total financial quotas as a guide for the individual levels of benchmarks. We do not see the necessity that regions in which the Fund is engaged to a larger extent should be represented to a higher degree than others, as this might change over time, i.e. a kind of moving target. Such uneven application makes benchmarks more random and less transparent.

With regard to new hiring, we concur that a change towards a more centralized hiring practice in the Fund such as in the EP program, as recently discussed in the Board, would be helpful in ensuring more corporate oversight over the hiring process with inclusion and diversity goals in mind.

Although, educational background of Fund recruits has been broadened, we fully support a continued focus in order to have a broader “diversity of thought.” In this regard, we welcome the progress in recruiting more economists with graduations from universities outside the United States from the Fund’s Economists Program. However, we strongly encourage management and staff to further evaluate and expand possibilities of how to hire a larger number of high-qualified graduates as well as senior staff on a higher entry-level other than from the well-known Anglo-Saxon universities. A more diversified educational and professional background might also be favorable in the context of fund surveillance as it helps in understanding the economic policy in the various member countries. Overall, we are convinced that the introduction of a (soft) benchmark measuring educational diversity might bring additional value to the Fund’s diversity and inclusion strategy. The staff’s comments are welcome.

Finally, in the context of gender diversity, consideration should also be given to the workplace environment of the Fund in terms of “family diversity.” For staff with dependents and especially with younger children (below school age), it is of high importance that these conditions are favorable, available and affordable as to ensure compatibility between family and profession. Suitable conditions in this sense might also allow women a more successful career advancement in the Fund, improving perspectives to be promoted towards the underrepresented B-level positions by women. The staff’s comments are welcome.

Mr. Field and Mr. Duggan submitted the following statement:

We view promoting inclusion and diversity at the Fund as very important: to encourage different opinions and perspectives in the work the Fund produces, to get the best from staff, and to ensure we fully represent the

membership we speak for. We therefore welcome the report, as well as the report by the diversity working group. We have a number of comments:

While we agree that it is important to address the underrepresentation of women and specific regions in Fund staff, we found the report overly focussed on just these two issues. Diversity is much wider, taking in issues such as race, disability, religion, sexual orientation, etc. We are concerned that by focussing the large majority of the report on benchmarking two subsets of diversity, we miss the wider picture of achieving a truly diverse and inclusive fund.

We are also concerned that the report concludes that a large number of staff do not feel included. The Fund will not succeed in its diversity and inclusion goals if staff do not feel that their differences are valued. We welcome the commitment to address this. However, we thought more focus should have been given to how inclusion will be promoted, and were concerned that some of the actions proposed appear limited. Annex XX is highlighted as best practice but in many cases the exemplars seem more basic (advertising jobs, holding regular staff meetings etc.). Further, both the accountability framework and a large portion of the diversity scorecard are highlighted as encouraging inclusion, but actually focus mostly on gender and nationality diversity. Finally, while many of the ideas to improve inclusion in the final few pages of the working group report look encouraging, it is unclear which, if any, of these ideas will be taken forward. Can staff set out there plans to address inclusion in more detail including to what timeline? Which of the recommendations from the working group report will be taken forward? Can staff look at expanding the accountability framework to look at inclusion in more detail? Can staff report back on progress against these issues in future reports?

Finally, it is notable how important the staff survey results have been in informing this and many other recent staffing issue discussions. Given this, in our view, the staff survey should be done on an annual basis. In the absence of an annual survey, can staff explain how they would collect sufficient information on changes to perceptions in this area? How will staff measure success in for example ensuring management behaviors change to meet diversity requirements?

Ms. Meyersson and Ms. Jonsdottir submitted the following statement:

We appreciate the opportunity to discuss the Diversity and Inclusion report for 2014. Continued efforts to improve the diversity and the inclusion

of staff are welcome as this brings different viewpoints and innovative approaches to the table. Highly qualified staff with a diverse background that is brought to bear on the Fund's work safeguards the legitimacy of the institution and thus enables the Fund to reach its goals in a more productive and effective manner.

The Overarching Goal Is Competence

The overarching goal in recruitment should always be the highest level of knowledge and competence and these attributes can be found everywhere in the global talent pool. It is therefore not surprising that milestones are reached with some positive efforts and we welcome the fact that the benchmark on transition economies has been achieved although we could support that it be kept in place for the time being.

Mixed Progress on Gender Diversity

We are disappointed with the mixed progress on diversity, in particular the decreasing share of women hired compared to previous years, both at mid-professional grades and the B-level. Considering the core business of the Fund, it is troublesome that hiring women into economist positions at A11-15 seems to be a challenge while at the same time that only 23 percent of the decision-making B-level is comprised of women. Disaggregation paints an even more worrying picture where departments exceeding the benchmark level for women, HRD, LEG, COM, TGS and STA, are masking a number of departments that are falling behind, and whose work is at the heart of the Fund's key policy recommendations. We would welcome further clarification from staff on what caused the significant decline in interest from women applicants to the Economist Program (EP) this year.

Increased Emphasis on Educational and Professional Diversity

Our chair has been supportive of educational diversity and the potential it has for bringing different perspectives to the table. Although the educational profile of staff has not changed markedly since last year, we appreciate the increased outreach undertaken by the Fund and welcome the increased comprehensiveness of the data. All else equal, increased educational diversity should support the goal of geographic diversity. Other dimensions have been discussed recently, for example diversity in professional experience, where the Fund could focus on hiring more diverse mid-career staff. We also note the Fund's efforts to become a more open and transparent institution, creating space for comments and critique. We agree with staff that

such initiatives are very important to bring more diversity of thought to bear on the Fund's policy and operational work.

The Scope and Ranking of Benchmarks

We note that the current benchmarks have the potential in some cases to be at odds, or perhaps mutually exclusive. We thus see merit in staff's suggestion to streamline the B-level diversity hiring benchmark by seeking to identify women from underrepresented regions which has the favorable attribute of satisfying two criteria at once. We are of the view that the system of benchmarks is sufficiently complex at this stage, and see it as a risk that recruitment processes and promotions could lose legitimacy with an increasing number of parameters.

Due to various structural factors, internal and external, progress on some of the benchmarks that we deem necessary, has been slow.

Turnover Is Low

One of the structural factors making progress slow is low turnover at the Fund, which was also touched upon in our discussion of Categories of Employment. As the recruitment flow generally targets approximately the desired ratio of staff from the different underrepresented groups, the time it takes to significantly affect the existing stock could be considerable. As an example, we would like to ask staff when gender parity is expected to be reached in categories A9-B5 given the current turnover rates and 50 percent recruitment rates.

Increasing the Pool of Applicants

Every effort should be made to ensure that the pool of applicants from underrepresented groups is in line with the Fund's diversity goals. The current initiatives in outreach are positive and further efforts should be made to reach out to potential staff in underrepresented groups. The Fund should further investigate whether participation of women and young professionals can be increased by measures such as increased flexibility or a rethinking of the benefits system. Such efforts might furthermore benefit both genders and staff of all groups. Increased awareness of an inclusive culture at the Fund may also affect potential applicants.

Flexible Working Arrangements Are Important

Flexibility is particularly important for Fund staff that is responsible for dependents. The Fund has several ways of providing flexible working arrangements for staff. There are for example opportunities for part-time work, job-sharing and a compressed working schedule (CWS and CWS light). Some managers may provide additional flexibility in when and where work is done. However, to be relevant, existing frameworks need to be user-friendly, put into general practice and access should be automatic as opposed to subject to discretion.

Compensation and Benefits Could Be Modernized

Family diversity can be strengthened by modernizing the compensation and benefits package by retargeting measures towards younger personnel and families, which would increase the attractiveness of a Fund career for professionals with families. Expanded parental leave and subsidized childcare as well as support for the employment of spouses would also positively impact family diversity.

Maintenance of the Pipeline

Recruitment, development and promotion of staff from underrepresented groups are key features of the Fund's strategy subject to the goal of maintaining the highest standards for selection. The maintenance of a strong pipeline should in due time lead to increased diversity at senior manager level. The diversity profile of senior managers is important for several reasons, not least the power of recruitment. The Fund should put increased efforts into strengthening the pipeline; including by mentoring programs and paying attention to the way Annual Performance Reviews (APRs) influence employee development. Last year we supported the initiative to undertake a study of salary equity and career progression within the Fund to determine whether systemic inequities exist due to gender or nationality.

An update from staff on the progress of this initiative would be welcome.

Inclusion

Diversity comprises many aspects such as gender, race, age, educational and professional background, sexual orientation, etc.

Strengthening diversity along all dimensions is necessary in order to foster diversity of thought and we support the focus on inclusion as the catalyst for an open professional environment. We would emphasize the need for further work on measuring progress in this area, for example with regular staff surveys. In our view, management culture is also very important in shaping the dialogue. Fund culture has been shifting and things are changing. Now the main objective should be to not only maintain the momentum but gear up and avoid falling victim to reform fatigue.

Ms. Plater and Mr. Choi submitted the following statement:

We consider efforts to enhance diversity and inclusion at the Fund to be an instrumental component in ensuring the Fund's representativeness, legitimacy, relevance and effectiveness. We thank the Diversity Office and HRD for their efforts and for preparing the Diversity Annual Report, which is important in helping maintain focus and renewed commitment to diversity and inclusion.

We welcome the overall progress made towards the 2014 benchmarks over the last five years but are mindful that progress is uneven and some benchmarks stagnated. Some measures have fallen back in the past year and we would not want to see this become a trend. We would therefore have appreciated greater discussion on the overall factors contributing to progress (or lack thereof)—where initiatives appear to be delivering benefits and where more efforts may be needed. Addressing inclusion and broader cultural issues is vital to this, and would strengthen the fabric of the organization more generally. We provide the following specific comments.

Diversity in appointments during FY2014 was disappointing. We are concerned that the share of women hired through the Economist Program dropped sharply. The staff should closely examine the Fund's work environment and any trends in female economists' focus or preferences to understand the reasons behind it and the appropriate response. Further outreach to potential women candidates would also be helpful. We welcome that mid-career hiring continues to play an important role in the Fund's diversity strategy. However, we note with concern the sizeable drop in women and East Asian appointments through this channel relative to the previous year. We would welcome further elaboration on the underlying reasons for this. We encourage staff to make further effort to find qualified applicants from this group, particularly through the B-level diversity hiring program. Beyond the specific benchmarks, we also note that there is currently no staff from many small states, including Pacific countries, well below what might be expected

given their quota shares. Could staff please outline if there are any initiatives to improve the representation of small states?

We note with concern the lower promotions rate for staff from underrepresented regions. Only one person from the underrepresented regions was promoted to B-level in FY2014, compared to 16 persons from the other regions. This outcome falls far short of the 22 percent of benchmark. A weak pipeline continues to be a hurdle, but noticeable improvement has not been achieved. More efforts should be made to strengthen the pipeline, including the earlier-stage career management for strong candidates. Organizational culture and fostering an environment that respects differences is also vital. Increasing senior managers from the underrepresented groups sends an important signal and would support sustainable changes. We welcome the progress made at the department level.

The stagnant share of staff from East Asia in B-level remains a source of concern. Despite the Fund's effort to secure talents from this region, this area has made virtually no progress over the past five years. The report relates the latest drop to the departure of people hired on short-term appointments. Could staff elaborate on the reasons for the predominance of short-term appointments?

Further Fund-wide effort should be made to promote inclusion. It needs to be an integral part of the diversity strategy but also has broader benefits, promoting an environment where people feel free to share ideas. The 2013 staff survey result that 42 percent of staff do not consider the Fund "favorable" in terms of inclusion is concerning. We welcome the Fund's continued effort to strengthen and monitor inclusion through staff surveys, the Accountability Framework, the new Leadership Development Framework and the Diversity Scorecard. There are a range of current efforts largely at departmental level. Is there a coherent Fund-wide approach to harness these efforts and deliver clear and consistent messaging so that inclusion can be rooted in the Fund culture and staff's mind?

The new diversity benchmarks should be ambitious enough to ensure continued progress toward true diversity at the Fund. The new benchmark for B-level staff from East Asia falls short of reflecting the financial quota of the regions. Although it is important to remain realistic, a clear signal of intent is needed. The diversity initiative should be an effort to overcome the challenges we face rather than give in to these challenges with lenient goals. Given the six-year horizon of the new benchmarks, the target in our view is unjustifiably low, implying a widened gap come in FY2020.

Mr. Snel and Ms. Hubic submitted the following statement:

We thank staff for their informative reports. The Fund has become a more diverse and inclusive organization over recent years, and further progress has been made last year. However, progress has been uneven and a number of benchmarks for underrepresented groups—in particular B-level benchmarks—are unlikely to be met by end-2014.

Gender diversity remains a key element in the diversity and inclusion process and needs to continue. We note that appointments—including in the Economist program—were less diverse this year compared to last year. Recruitment of women in mid-career appointments has significantly dropped—representing only a third of these appointments compared to 40 percent in the previous year. The smaller application pool of mid-career women is one of the reasons mentioned by staff. We encourage staff and management to put additional efforts in order to prevent this reverse development that could eventually evolve in a new trend.

The diversity objective should be broadened beyond geographic background and gender, to include the educational and professional diversity. The staff analysis would be more informative if it would include more time series. While staff's intention to monitor trends is welcome, we would like to see more ambitious proposals and measures on how to improve educational and professional diversity. We would welcome 'a concrete staff's proposal' on a hiring strategy built around outreach to a broad set of university in different parts of the world.

Educational diversity is an equally important source of diversity of thought as is diversity of staff by nationality. Although we note some progress in the Economist Program, the results on educational background confirm this year again a clear dominance of Anglo-Saxon universities, especially when a doctorate degree is considered (71.5 percent). More forceful actions on this front are warranted. In particular, we see merit in introducing a new quantitative benchmark for educational diversity. In this regard, it is unfortunate that the DWG did not propose any benchmark or concrete actions to improve the educational diversity—or is it still possible? Also, we are interested to hear if staff expect that greater outreach efforts to non-Anglo-Saxon universities or openness to other disciplinary backgrounds than economics should materially change the educational make-up of the Fund work force over time?

We do not support the proposal to discontinue benchmarks for transition economies. While the overall representation of transition countries has already reached the 2014 benchmark, their share in B-level staff continues to be the lowest among the underrepresented regions. Unlike some other regions, finding a pool of high-qualified candidates should not pose a problem, both externally and internally, especially given the relatively high representation in A9-A15 level staff. Discontinuing benchmarks for transition economies would de-incentivize the monitoring of this group which could lead to reverse effects but also limit the progress towards B-level promotions. On the contrary, we would expect to see more policies targeted for this group of countries going forward. Furthermore, we note from Appendix III that an important number of small countries—from both advanced and emerging economies—do not have any nationals on Fund staff. In this regard, we welcome DWG's proposal to increase of by 2 to 3 positions the special appointee program in order to support small states participation, and even see a possibility to increase that number going forward. We call for a follow-up on the progress in this area in the next year's Diversity and Inclusion report.

Lastly, as already emphasized in our last year's statement, flexible family employment arrangements and supportive policies for staff spouses help retain talent and promote gender diversity. Despite some traction for our suggestion for these improvements during the 2011 Diversity Report Board discussion, we note that staff again makes no references to the effect of flexible work arrangements, family benefits or an enabling work environment for staff with young families. We welcome staff to comment on whether there is scope to improve part-time work arrangements or family benefits as a means of promoting gender diversity and improving opportunities to combine professional ambitions with family responsibilities.

Mr. Alshathri, Ms. Kapwepwe, Mr. Yambaye, Mr. Mojarrad and Mr. Beblawi submitted the following joint statement:

We thank the Diversity Office and the Human Resources Department (HRD) for an informative FY2014 Diversity and Inclusion Annual Report. We are also thankful to the members of the Diversity Working Group (DWG) for their contribution. At the outset, we welcome the progress made to strengthen gender diversity at the Fund. That said, much remains to be done to enhance diversity as a whole, particularly with regard to regional diversity. Indeed, the Fund has regrettably failed to achieve the bulk of its benchmarks for regional diversity by the original FY2014 target date. As a result, Sub-Saharan Africa (SSA) and MENA+ continue to be underrepresented. We, therefore, call for further efforts to increase the share of staff from these two

regions through a more proactive approach and stronger accountability at all managerial levels.

Diversity is not only about numbers and benchmarks, but also an essential ingredient for the effectiveness of Fund's policies and activities and for the good governance of the institution. In particular, we consider that regional diversity is critical to enhancing the Fund's understanding of countries' specific circumstances and improving the traction of its policy advice. Article XII, Section 4 (d) underscores the importance for management to ensure that staff recruitment is done on the widest geographical basis possible. Therefore, while we acknowledge the importance of other dimensions of diversity, we believe that regional diversity should remain the main pillar of the Fund's diversity policies. While progress in other aspects of diversity including gender or educational diversity can be an integral part of regional diversity, care must be taken to ensure that it does not undermine regional diversity objectives by increasing hiring from overrepresented regions.

In spite of the significant increase in new hires in FY2014, the share of the underrepresented regions in the A9-A15 and B1-B5 categories declined relative to FY2013. We are deeply concerned about the slow progress in increasing the share of staff from the MENA+ region. The overall share of MENA+ staff (A9-B5) has not increased much in the last five years, and has remained significantly below the 2014 benchmark of 8 percent. It is thus crucial that staff recruitment from SSA and MENA+ among the mid-career stream be boosted, including through more frequent and effective recruitment missions to the region.

An important factor that contributed to missing diversity benchmarks has been the low recruitment from MENA+ and SSA. In this regard, the establishment of new benchmarks for the share of A9-B5 recruitment from MENA+ and SSA is welcome, as they focus on regions where progress is most needed. Nonetheless, we are of the view that the new benchmarks are not sufficiently ambitious for either MENA+ or SSA. In particular, the 10 percent recruitment benchmark is unlikely to help reach the 8 percent diversity benchmark for both regions by 2020. Furthermore, the proposal to reset the same missed 2014 diversity benchmarks for 2020 for these two regions while raising that of the other underrepresented region by 3 percentage points denotes an inequitable treatment of underrepresented regions. Therefore, we urge management to adopt an earlier target date for the new benchmarks than 2020 and to raise the minimum recruitment benchmark

above 10 percent. In addition, stronger efforts are needed to retain staff from these regions.

We support the DWG's recommended measures to better meet the benchmarks, particularly, the need for greater emphasis on hiring and retaining diverse staff in the departmental accountability framework. We agree that the current hiring setting, with significant autonomy given to departments, would make it difficult to achieve diversity goals. Therefore, stronger and proactive efforts by management, in general, and accountability of department heads, SPMs, and division chiefs, in particular, are essential for ensuring progress towards the benchmarks set for underrepresented regions. We also strongly call for more institutional oversight of managerial decisions on hiring and promotion, with a greater role given to HRD, to ensure timely achievement of diversity goals and foster more inclusion in the Fund.

While we acknowledge the progress made toward increasing the share of B-level staff hired from MENA+, we note that the related benchmark for SSA has not been met. We stress the importance of making decisive progress on this front, through increased recruitment, promotion, and retention of staff to raise the B-level staff share of SSA. We welcome management's stated intention to increase the share of B-level staff from both underrepresented regions and support the B-Level Diversity Initiative. However, in view of the very modest number of staff members appointed every year under this initiative, we suggest that promotions be utilized more systematically to help increase the share of B-level staff from these two regions in the same manner they were used to improve the share of B-level women in recent years.

The 2013 staff survey underscores the important challenges the Fund encounter to achieve diversity of thought and establish a culture of workplace tolerance. The persistent concerns expressed by staff from underrepresented regions, mainly SSA, MENA+, and the Caribbean, over their career progression and perception of workplace exclusion are worrisome. This brings into doubt the effectiveness of the existing diversity framework, including the departmental Diversity Reference Groups, in fostering inclusion and raising awareness. It is also critical that the Diversity Office steps up its efforts at engaging staff and ensure steadfast implementation of its Inclusion Action Plan. In addition, close monitoring of the Dynamic Diversity Scorecard by the Diversity Office is germane to ensuring that departments remain committed to the Fund's overall diversity and inclusion strategy.

Promotion rates of staff from underrepresented regions have continued to remain significantly below those of staff from other regions. In this

connection, we are very concerned to note that out of a total of 17 staff promoted from A15 to B1 in FY2014, none is from SSA or MENA+ and only 1 is from other underrepresented regions. This warrants a review of promotion policies and practices to ensure that they meet high standards of fairness and equity for all staff members. We call on management to conduct such a review. Furthermore, there is an urgent need to strengthen the pipeline to ensure promotions of staff from underrepresented regions to managerial levels across the institution. On gender diversity, we note the challenge in building a strong pipeline of applicants and thus see merit in refocusing the B level diversity hiring program to identify women from underrepresented regions especially from SSA and MENA+, and higher selection of diverse candidates.

Mr. Sun and Ms. Li submitted the following statement:

We thank the Diversity Council and the Diversity Office for their continued efforts in improving diversity and inclusion at the Fund. We find the diversity and inclusion annual report very informative in assessing the progress made in these areas, as well as in identifying the gaps and updating the recommendations. While we welcome the progress in making the Fund more diverse in FY2014, we continue to believe that more efforts are needed to strengthen regional, gender, and educational diversity at the Fund. We would like to offer the following comments.

We are concerned that only three out of the eleven quantitative benchmarks for underrepresented groups were met by end-FY2014, and recruitment in FY 2014 was less diverse than in the previous year. These underscore the need for a more proactive approach and a stronger commitment to address regional underrepresentation. We also encourage management and department heads to work more closely with the Executive Board in evaluating the diversity strategy and implementing diversity plans. Like other colleagues, we see merit in having a deeper discussion to identify the reasons why the benchmarks have been missed. It would also be useful to provide a diversity table—which includes diversity data of both underrepresented and overrepresented regions/countries in comparison with their quota shares—in the upcoming annual report, with an overall view of the diversity situation and the work that lies ahead.

As for the diversity benchmark for 2020, we welcome the Diversity Working Group's (DWG) proposal to use the quota shares under the 14th general quota review as the guide in setting medium-term benchmarks. However, we are disappointed to see that even though the benchmark for East Asia has been increased, the proposed benchmark of 15 percent still falls short

of the region's quota share of 18.8 percent. We welcome staff's explanation on how these benchmarks were decided and whether this would be subject to the Board's approval. Noting the relatively high separation rate for East Asian staff, we encourage staff to elaborate on the reasons behind the high rate, as well as measures that can be taken to address this issue. Meanwhile, we are not fully convinced by staff's proposal that a benchmark on hiring is not needed for East Asia, where staff believe that efforts should be focused on retaining staff to reduce the high separation rate. In our view, efforts are needed in both hiring and retaining staff from this region, and we call for increased hiring of midcareer economists from East Asia.

The slow progress in broadening representation at the B-level continues to be a source of concern. The promotion rate for staff from underrepresented regions was down in FY2014. At the same time, the number of promotions to the B-level is projected to be limited in the near future, due to the low share of staff from underrepresented regions at the A-15 level. Thus, we call for concrete measures to ensure diversity in promotions to the B-level and to build a stronger pipeline of staff from underrepresented regions at the A-14 and A-15 levels. We also echo the DWG's call for more attention to diversity in external B-level hiring, which has been mostly below the regional benchmarks.

We share staff's view that diversity should be viewed from a broader picture, and it should be complemented with a set of measures to foster an open and inclusive work environment. As shown in the recent survey, many diverse staff feel there is a bias in managers' attitude, with limited opportunity to be engaged in key assignments. Therefore, it is important to develop an inclusive work environment in which diverse views are shared, heard, and respected. We welcome the implementation of the Fund's new Leadership Development Framework and the Inclusion Action Plan, and we look forward to an improved managerial culture and work environment at the Fund.

Ms. Tangcharoenmonkong, Mr. Marcelo and Mr. Kharel submitted the following statement:

We welcome the FY2014 Diversity and Inclusion Annual Report together with the Report of the Diversity Working Group. These reports enlighten the historical efforts and achievements, assess the gaps relative to the benchmarks set for FY2014, and proposes new benchmarks for FY2020. We note the recent progress in the diversity and inclusion initiatives of the Fund, however, this is not only about meeting numerical benchmarks and

much work still remains to be done to make the Fund truly reflective of the diversity of its membership.

While we take positive note that the Fund has taken serious steps to promote diversity, the progress has been rather slow. Only three of the eleven benchmarks are likely to be met by the end of FY2014, while all regional benchmarks for A9-B5 staff except for transition countries and all benchmarks for B-level staffs except for MENA+ are less likely to be met by the end of FY2014. While women participation has increased significantly, the ratio remains much lower than the benchmark. In East Asia, the share of B-level staff increased by only 0.1 percentage point in the last five years to 5.0 percent in FY2014, compared to the benchmark of 7.0 percent. Similarly, the share of A9-B5 level staff increased to 11.5 percent in FY2014, slightly missing the benchmark of 12.0 percent. Given this uneven progress and wide gaps relative to the benchmarks, we urge the management to reinforce efforts so as to make the Fund a more diversified institution.

We believe that a meaningful regional classification is critically important to address the issue of underrepresentation. For example in East Asia (classified as ASEAN+3), five non-ASEAN Fund members account for 69.6 percent of Fund staff for grade A9-A15 and 76.5 percent for grade B1-B5 in FY2014, while the rest of the countries within this group remain underrepresented. Under our constituency, 4 out of 13 countries have no nationals working at the Fund. In this context, we welcome staff's further elaboration on the basis of creating a regional group for FY2020 benchmark focusing on East Asia and also safeguard measures for outreaching underrepresented countries. In addition, we share the views of Ms. Plater and Mr. Choi that the new diversity benchmark should be ambitious enough to ensure continuous progress to this end. But, unfortunately, some of the benchmarks including the benchmark for B-level staff from East Asia remain far below relative to the share of quota in the Fund. We welcome staff's comment in this regard.

We continue to believe that diversity in educational backgrounds play a crucial role in promoting diversity of thinking in the Fund. At present, the educational backgrounds of Fund staff are overwhelmingly dominated by universities in the United States and four largest European countries especially in PhDs obtained by staff. In this context, we welcome the Fund's increased outreach to universities across many countries, and the use of social media and other tools for recruitment process. We further encourage staff to broaden the range of universities to which the Fund send recruitment missions to attract a broader pool of candidates from diverse backgrounds and

underrepresented region. In this regard, we welcome the plan for broadening the education outreach so as to help to attain the benchmarks going forward.

We welcome the various initiatives by the Departments and their respective Diversity Reference Groups (DRGs) to promote diversity and inclusion at the Department-level. We encourage the Diversity Office to engage with the Departments and their DRGs to develop best practices on promoting diversity and fostering inclusion, and share these best practice experiences Fund-wide. As part of this sharing initiative, the Fund's Diversity Homepage, which contains a module on Diversity Tools and Resources, could be used to host the Departments' best practices on promoting diversity and inclusion.

Mr. Heller, Mr. Radziwill and Ms. Osinska submitted the following statement:

The Fund should continuously strive for diversity and inclusion. Thus, we welcome the opportunity to discuss the 2014 Diversity and Inclusion Annual Report. As a global institution, the Fund should reflect the diversity of its membership. We agree that the case for diversity is strong by bringing multiple perspectives to the decision-making process and thereby enhancing it. Inclusion is a necessary complement. At the same time, however, diversity objectives must not compromise the level of professional quality. Diversity objectives should rather be seen as an instrument to address some labor market failure stemming from the existing degree of incompatibility between the professional qualifications that the Fund targets and the actual diversity in the available labor pool.

While we acknowledge most of the report's conclusions, we are not satisfied with some of the recommendations, in particular the proposed new diversity benchmarks for 2020. We wish to specifically comment on the benchmarks for transition economies, which represent all but one country of our constituency. We would also like to point out that the focus on large geographical aggregates may mask significant differences among individual countries.

We are pleased to observe the progress in terms of achieving the benchmarks for the transition countries for A9-B5 staff representation, but we cannot agree with the proposal to discontinue benchmarks for these countries. We take a positive note that the above mentioned benchmark has been one of the only three achieved out of eleven benchmarks that have been adopted. While this is encouraging, especially given the "strong pipeline of staff" in the form of favorable recent appointments, this relates exclusively to the A9-B5

category. The results for B-level staff present an exactly opposite picture—the benchmark is met only in 50 percent (52.5 percent), which makes the transition countries the worst performing group of all at the B-level. In addition, there have been no appointment within this group in FY 2014, and since 2008 only two individuals have been recruited (Annex X). This strikes us exactly as where “progress is most needed.” We do not see how a separate monitoring—outside of the new 2020 diversity benchmarks framework, as suggested in the report—would possibly translate into ensuring real progress. Therefore, the case for discontinuation of benchmarks for transition economies is not convincing to us and we agree with Mr. Benk that such decision would be premature. Finally, like Mr. Snel, we would expect to see more policies targeted for this group of countries going forward.

Mr. Mohan and Mr. Chaturvedi submitted the following statement:

On achievements against the 2014 geographic and gender benchmarks, we note that only 3 out of the 11 benchmarks have been achieved. Two regions, out of the 6 for which benchmarks have not been achieved, show stagnation in representation over the last 5 years. The FY2014 appointments are reported as somewhat less diverse than in FY2013. The number of women hired in FY2014 at A9-A15 levels has risen but their share has fallen below the FY2013 level. Similarly, while the number of women hired in FY2014 at the B level has remained unchanged, their share has fallen below the recent historical average. For underrepresented regions, the share in the FY2014 appointments for each region, with the exception of transition countries, is either close to or higher than the five year average. Thus what we see is overall improvement in diversity, but perhaps far less rapid than had been targeted. The question that this raises is whether the 2014 geographic and gender benchmarks were too ambitious.

The report notes that diversity of senior personnel managers improved during FY2014. While this is overall true, we would like to point out the number of women as departmental heads and directors has been either three or four in the last four years, and the figure of 4 achieved in FY2014 is the same as that achieved in FY2010.

We agree with the report that diversity in the Fund is greater than it appears because if the secondary nationalities are also counted, then the share of the underrepresented regions as a group at the A9-B5 and B levels would increase. We support the decision to continue reporting secondary nationalities even as primary nationalities are relied upon for assessing progress in improving diversity.

We think it would be useful if educational diversity is also assessed by taking into account only the highest degree held by an individual, which is the most important educational consideration in selecting individuals for Fund employment. This would mean, for example, that if an individual has a PhD from a U.S. university and bachelor's and master's degrees from other places, only the PhD degrees would be counted for the purpose of assessing educational diversity.

Though Annex II and Annex III do provide information about diversity among contractual employees and among employees at A1 to A8 levels, these issues are not discussed in the report. We would request the Diversity Office to clarify whether there is a need to assess diversity in these categories also.

We note that in FY2014, the promotion rates from A14 to A15 and from A15 to B1 for staff from underrepresented regions were lower than the overall rates of such promotions and that the promotion rate from A15 to B1 was particularly low at 2.2 percent. Staff from underrepresented regions constituted 18.9 percent of the total A15 staff at the end of FY 2013 but only 5.9 percent of the total promotions from A15 to B1. The seriousness of the situation is illustrated by the fact that though 46 of the 244 individuals at the A15 level at the end of FY2013 were from underrepresented regions, only 1 out of the 17 individuals actually promoted to the B1 level came from an underrepresented region. We would request the Diversity Office to inform us if there were any special reasons for the very low rate of promotion from A15 to B1 of individuals from underrepresented regions in FY2014.

We note the support for or satisfaction with the four diversity goals in the 2013 Survey of Executive Directors. However, what is equally important is the implementation of the goals, which seems to be perceived as an area of deficit with a third of responding Directors disagreeing that the Fund's Diversity Strategy is being implemented effectively. The report particularly notes that there were low scores on questions 5 and 6 of the Survey which related to the responsiveness of management and departments to diversity related concerns and their effectiveness and accountability in achieving the Fund's diversity objectives. We would also like to emphasize the importance of Executive Directors' satisfaction with the implementation of the Diversity Strategy.

The 2013 Staff Survey resulted in 58 percent of the respondents reporting equitable inclusion and treatment and 18 percent reporting

otherwise. This is a matter of concern, and also that staff from Sub-Saharan Africa, MENA+ and the Caribbean reported ‘slightly lower favorable scores than staff from other regions.’

We welcome the acceptance of the benchmarks proposed by the Diversity Working Group for 2020, especially the introduction of new benchmarks for share of A9-B5 recruitment for Africa and MENA+.

Mr. Hendrick submitted the following statement:

We thank the Diversity Council and the Diversity Advisor for the FY 2014 Diversity and Inclusion Annual Report. We commend management and HRD for their hard work to make the Fund a more diverse and inclusive institution. However, we read in the report that only three of the eleven quantitative benchmarks for underrepresented groups were met by end FY 2014. We wonder if the targets were too ambitious (on purpose), or if unexpected challenges were met in the efforts to achieve these benchmarks. The staff’s comments would be appreciated.

We can support the new benchmarks and supporting measures to foster diversity and inclusion at the IMF. The paper prepared by the Diversity Working Group is very interesting, particularly Section IV where Diversity is addressed as a broader agenda, touching upon some issues that are still sensitive among the staff. Perhaps, a crucial point to be successful with the diversity strategy is to change the “culture” of the institution. This could be a partial explanation of the lack of success in achieving the 2014 benchmarks. We would appreciate some additional clarification from the staff on the following points:

Creating a Genuine Inclusive Environment

What concrete actions have been taken to foster an inclusive environment at all levels of the staff. Actions at the A1-A15 level versus B1-B5 level. What are the main challenges that HRD and the Diversity Office envisage to achieve this goal?

Enhancing the Effectiveness of the B-Level Diversity Program

We recognize the progress made by this program in identifying and bringing to the Fund diverse senior staff from countries previously significantly underrepresented. However, as Ms. Arbelaez and Mr. Zavarce, we encourage management and HRD not to overlook intraregional diversity in

Western Hemisphere and Europe. Annex II clearly shows that several countries are still underrepresented, particularly at the B level.

A greater role for corporate hiring for midcareer economists and other professions could be helpful but we are not clear about the value added. Our understanding is that most hiring of midcareer economists is already done in a centralized manner, with due regard to some diversity at the regional/national level, as well as gender. Central panels for mid-careers are done a few times every year, and the successful candidates profiles are later circulated among department for review and additional interviews. I assume that departments have significant autonomy in deciding which pre-qualified candidates to hire; nevertheless, it seems that HRD has some degree of control in defining the pools of applicants for panel interviews. The staff's clarification on the current process vis-à-vis the proposed changes would be helpful.

Inclusion of Assessment of Managerial Potential as Part of an Institutional Panel Review for A14s and A15s

We agree with the importance of managerial skills as a critical and necessary requirement for promotion to B-level, after all, the quality and effectiveness of management is one of the most important problems quoted by the staff survey. Again, we understand that in principle, this process has always been in place (monitoring managerial skills, at different levels of responsibility, from A-13 level); and including specific and compulsory managerial training courses for those targeted for promotions. Yet, after more than a decade, managerial problems are still present. Is it perhaps an issue of the "culture" of the institution at a more senior level? What else could be done, or what can be done differently to be more successful with improving management and the inclusive culture in the Fund? The staff's comments would be appreciated.

We welcome the broadening of educational background during Fund recruitment and the increase of Economist Program appointees with PhD outside the United States or Canada. We have our reservations about the use of bachelor or master degrees as additional criteria for diversity in education. We believe that educational diversity at the Fund is better represented by doctoral degrees. We agree with Mr. Benk and Mr. Repansek that the Fund's ability to provide the best possible advice on economic policies is likely more related to staff's educational rather than national diversity. Diversity in the field will give more legitimacy and effectiveness to the Fund by being the contrary to "groupthink."

Mr. de Villeroché submitted the following statement:

We welcome the opportunity to formally discuss the 2014 Diversity Annual Report. We thank the Diversity Working Group and HRD staff for the comprehensive report on Diversity and Inclusion which are essential to the Fund's legitimacy and efficiency.

We welcome the report's recommendations and broadly agree with the DWG set of benchmarks for 2020. We take note that despite the uninterrupted efforts to develop and deepen the Diversity and Inclusion strategy, the progress on benchmarks was mixed. We would like to highlight the following areas of improvement.

As regards diversity promotion, there is a tension between the need for a well focused strategy—which calls for a limited number of structural benchmarks—and the necessity to consider diversity in all the relevant dimensions. In this respect, strengthening staff diversity in terms of nationality and gender is necessary, but we found that the report overly focused on those issues. However, diversity on those two dimensions is not in our view a condition sufficient enough to ensure an environment where “diversity of thought” is encouraged. We would like to stress in particular two other dimensions of diversity:

We are in the view that diversity of educational backgrounds is needed. We welcome the progress achieved over the past year on the increased number of EP recruits who received their degrees from universities outside the United States. However, the share of staff with PhDs coming from U.S. universities remains excessive in our view. Therefore, sustained commitment in this area is needed and concrete actions should be implemented and closely monitored.

In the same vein, we would like to see more focus on language diversity among staff. In a career at the Fund, mastering another language than English should be valued and rewarded, and not result in a constraint, for instance through pressure to accept certain positions. Since the authorities need to be able to exchange with the Fund staff in a language that they are able to understand and speak, we believe that multiple language skills other than English should be adequately taken into account in the Fund's recruitment policy. We would welcome an assessment from DGW and HRD staff to determine whether more diversity in terms of language skills is needed.

The focus on inclusion is welcome. We note that despite efforts to help foster a work environment inclusive of all, a significant portion of staff does not feel sufficiently integrated. An Inclusion Action Plan has been developed based on concerns expressed by staff, particularly from developing regions. Fund staff of any nationality or gender needs to work in an environment that is hospitable and supportive. Therefore, we ask DWG and HRD to deepen their work on inclusion in particular by spreading—at institutional level—best practices, training and awareness which have been established by some departments.

Finally, looking ahead, we would welcome an evaluation on how Fund staff diversity and inclusion contributed to a higher quality of analysis and better decision-making. We ask management to keep the Board regularly informed of the diversity and inclusion sentiment within Fund staff, preferably on an annual basis.

Mr. Haarsager and Mr. Weiss submitted the following statement:

We thank the Diversity Office for this year's report and the Diversity Working Group (DWG) for their paper on proposed new benchmarks and measures. The Fund's efforts at increasing diversity and inclusion are an integral part of building an effective workforce that adds value to the membership and, in turn, to the overall success of the IMF. We remain strong supporters of these efforts and of the proposals put forward in these papers.

Most of the geographic and gender benchmarks for 2014 were not met, although additional benchmarks were nearly met. Considerable scope for further progress remains. We recognize that efforts at improving these results will take time but we must maintain a strong focus on increasing the presence of women and underrepresented regions, particularly from MENA and Sub-Saharan Africa, among the staff. As such, we welcome the DWG's new benchmarks for 2020, as laid out in Box 2 of the report. We note that the benchmarks for Africa and MENA's shares of A9-B5 staff remain the same as in 2014, and for B-level women remain the same as the high end of the range of the 2014 benchmark. Pushing the same benchmarks out six years appears somewhat less ambitious than when they were initially set out as benchmarks for 2014, and we hope that the additional initiatives recommended by the DWG can help to achieve these benchmarks in this longer time frame. We would also have welcomed benchmarks for women as a share of A-level staff.

We welcome the additional information provided in the report on multiple nationalities and educational background, which provide richer

material for deeper analysis and merit further consideration. We appreciate the difficulty in tracking secondary citizenships among the staff, but encourage the staff to continue work in this area, which adds color to our understanding of how the variety of backgrounds and experience among the staff add to the richness of this institution.

At the same time, it is important not to lose sight of other important dimension of diversity amid the in-depth analysis of benchmarks on nationality and gender. Diversity goes beyond these two dimensions and we encourage the Diversity Office to be mindful of the wider picture beyond just these benchmarks.

Finally, we note that the staff survey inclusion index, while showing a majority of the staff giving a favorable rating on inclusion, suggests that nearly one-fifth of the staff do not feel included, with an even larger number among African, Middle Eastern, and Caribbean staff members. This needs to improve. The outreach to these groups, and the inclusion action plan that was developed in response to this survey, are good first steps and we look forward to additional efforts to increase inclusion among the staff.

Ms. Florestal and Mr. Santarosa submitted the following statement:

We thank, management, staff, the Diversity Office and the Working Group for the set of papers. Attention to diversity has increased substantially over the last two decades. However, despite the numerous debates, writings and initiatives, improvements have been quite modest and, the newly recommended benchmarks are not ambitious enough to bring about meaningful results by 2020.

Twenty years into the “diversity journey” and the Fund continues to be essentially a North-Atlantic institution. Citizens of Western European and North American countries dominate key positions in senior staff and management levels. Educational backgrounds remain rather homogeneous, with more than two thirds of PhDs and more than half of master’s degrees obtained in just two English-speaking countries. Even on the gender front, wherein most improvements lie, progress has been insufficient and the Fund is still well behind all the comparator multilateral organizations (ref. Annex XIII of the main report). In sum, one cannot but conclude that policies implemented thus far have failed to achieve the diversity warranted for an international institution like the Fund. In our view, the fact that the share of underrepresented regions has hardly changed among Senior Personnel

Managers (SPMs) is paramount to understanding this lack of progress in the diversity agenda.

Progress is uneven and disappointing under the existing suboptimal regional benchmarking. None but two of the benchmarks set for the underrepresented regions (URRs) for 2014 have been achieved and, the recruitment and promotion of (sub-Saharan) African economists continue to fall short of targets. Concerns with respect to the meager results of the diversity agenda for Sub-Saharan Africa were also shared with the Managing Director by the chairman of the African Caucus this past October and they need to be addressed forcefully. The chair of the caucus has also noted that while progress in gender diversity has been made, the share of African women at the Fund remains inadequate. Efforts to enhance an inclusive environment within the Fund are important in this regard. We take note of the launching of an executive mentoring program for staff from Sub-Saharan Africa, the Caribbean and MENA. We understand from our bilateral with staff that the executive mentoring program encompasses several aspects of a staff's career at the Fund and would appreciate receiving precise information its mandate and effectiveness in enhancing inclusion.

The weight of unrepresented and underrepresented countries is underestimated under current methodologies. At present, as much as 40 member countries (21.28 percent of the total membership of 188) have no nationals working at the Fund.¹ However, the evolution of staff from under-represented countries within well-represented regions is not monitored. That is the case for instance of the Western Hemisphere, where the contrast between some highly overrepresented countries (a factor that also brings the overall share of staff from the region above the desirable level) and a number of underrepresented ones is notorious.

The road ahead: more of the same? Given the track record, only a major overhaul in the Fund's diversity strategy would stand a chance of delivering meaningful results by 2020. But instead, more of the same is being proposed by the Diversity Working Group (DWG). We are dismayed by the proposal to maintain with only some minor adjustments the current approach for setting the benchmarks for 2020. At the same time the DWG acknowledges, (ref. section entitled "Recognizing Diversity Beyond Gender

¹ According to the "Nationality Distribution List: Staff and Contractual Employees" provided in the Annex III of the report (we excluded non-independent territories from the counting). If we consider only staff, but not contractual employees, the number of countries with no nationals working at the Fund would rise to 45, that is, 23.94 percent of the total membership.

and the Current URR Definition,” pages 27-28), that several flaws are left unaddressed by the current system. Hence, the diagnosis is often right, yet the remedies remain ineffective.

Benchmarking small states: why is it so difficult? The DWG recognizes that “many small Fund members for at least the last 15 years have not had any nationals on Fund staff.” However, it claims that “treating small states as a group and “assigning numerical benchmarks [for small states] is difficult to justify” (emphasis added). In fact, the only somewhat practical reason given by the DWG not to benchmark small states is that some of them “will already fall under currently defined URRs.” Nonetheless, the argument is not compelling given that a significant number of small states are situated either in the Caribbean or in the Pacific, and that both regions are not included in the current URRs.

Different standards seem to apply for small states and for G20 countries. In our view, although the concept of URRs might have been useful at the inception of the diversity agenda, it has by now shown its limitations for small and large countries alike. After noting that “even when regional representation was strong, some major member countries’ representation has fallen significantly short” the DWG recommends that “recruitment missions play a more active role in ensuring that the representation at the B-level staff of currently underrepresented G20 countries rises over time to levels in line with their quotas. In line with best practices of other international organizations, including the UN and the majority of its specialized agencies, the Fund could move towards targeting underrepresented countries. A more forceful approach could include the setting of ceilings for overrepresented countries and minimum representation floors for small states. The latter is important in order for the acclamation about the Fund’s nearly-universal membership not to be perceived as mere rhetoric. We acknowledge that this might be an ambitious goal, but in our view ambition is what is missing in the current diversity strategy.

Mr. Mozhin and Ms. Atamanchuk submitted the following statement:

We welcome the opportunity to discuss the FY2014 Diversity and Inclusion Annual Report. In recent years, the attention to diversity has been growing within the Fund. Unfortunately, the degree of improvement in diversity falls short of the amount of time devoted to discussing it. Out of eleven diversity benchmarks for 2014, only three have been met. We regret to admit that the progress under the 2003 diversity policy reform has been very limited and uneven.

We are particularly concerned about an obvious lack of progress in geographical diversity at the B level. At the level of senior management, the Fund has always been and still remains an institution dominated by a few large advanced economies. In particular, the share of B-level staff from Italy is 5.0 percent, Germany—7.7 percent, the United Kingdom—10.9 percent, and the United States—20.6 percent (Annex III). Together these four large AEs account for more than 40 percent at the B level. For comparison, the share of B-level staff from China is 1.5 percent, South Africa—0.9 percent, Brazil—0.6 percent, and Russia—0.3 percent (Annex III), which brings the share of these four countries to about 3.5 percent total. Also, the share of 30 transition countries at the B level is only 2.1 percent. These numbers speak for themselves. The fact that promotion rates of staff from underrepresented regions has declined this year is very disappointing. We believe that behind diversity indicators at the regional level we should not lose sight of those at the level of individual countries. Even within the over-represented regions there may be under-represented countries, as well as within the under-represented regions the situation in individual countries may be unsatisfactory.

The progress on diversity has been below par. First, needless to say, it is important to understand the reasons why most benchmarks have not been met and why many countries, including large shareholders, remain substantially underrepresented at the A09-B05 levels. Of course, the low turnover and little hiring do not help improve diversity at the Fund. Second, we find some explanations and proposals to be somewhat controversial. For example, the staff report notes that the drop in the gender diversity can be explained by a relatively small pool of mid-career female applicants. At the same time, it proposes the gender diversity benchmark, 50 percent share of A09-B05 recruitment for women. Do these two points, a small pool of candidates and the proposed benchmark, make sense together? Third, we believe that recruitment missions to universities can play an important role in promoting geographical and educational diversity. In this context, it is unfortunate that there have been no EP recruitment missions last year to one of the most underrepresented regions—Africa (Annex XIV). Comments are welcome.

We support the new 2020 benchmarks and suggest that the 2014 benchmark for transition economies at the B level remain unchanged. The newly recommended benchmarks look right to us and we see merit in the suggested increase in the benchmark for East Asia (Box 2). However, we cannot agree with the proposal to discontinue both 2014 benchmarks for

transition economies, which is explained by “significant progress” in the staff report. We are somewhat puzzled by this conclusion. It is clear from Table A that, while there has been substantial progress at A09-B05 levels, improvement at the B level has been very limited, if any. While the 2014 B-level benchmark for transition economies was set at 4.0, the current level is only 2.1. We see merit in keeping this benchmark for 2020. Comments are welcome.

Finally, we believe that the working group to analyze past failures and to revisit the diversity timeline and benchmarks should be formed of external experts under the auspices of the Executive Board.

The Chairman made the following statement:

I would like to invite representatives from the Staff Association Committee (SAC) to join the meeting. I would also like to introduce the Board to the Fund’s new Diversity Advisor, Ms. Nadia Younes.

She is a national of Egypt and the United States and has extensive experience in diversity and inclusion. Prior to joining the Fund, she was the group advisor for diversity and inclusion at Rio Tinto, an international mining and resources company that employs 66,000 staff across 40 countries. At Rio Tinto, she was widely recognized for mainstreaming diversity initiatives into core business practices, establishing metrics to assess the effectiveness of diversity programs, and integrating gender and regional representation into all aspects of recruitment, development, and retention efforts.

Prior to working at Rio Tinto, she held senior leadership positions at several international and multinational enterprises. She has belatedly been involved in the work being presented to the Board, but she will be actively involved in the implementation of this Board discussion.

Diversity and inclusion are critical to the Fund’s business. The research and studies show that well-managed diverse organizations achieve better business results in all areas—better financial performance, leveraging more talent, reflecting client profile and client satisfaction, and improving innovation and staff motivation. The Fund is doing some serious work on gender issues and how gender diversity can contribute to growth, how it can be of macro critical importance, and how it can influence the productivity and GDP of member countries. That work has been widely endorsed in member countries like Japan, South Korea, and Saudi Arabia, and I had a chance to congratulate the prime minister of Japan for the work developed as a result.

To the extent that we are trying to influence member countries to look at their internal policies with regard to promoting diversity and inclusion, the least we can do within our own organization is push those initiatives as well. It should be a key focus of our staffing policies and decisions, while ensuring the staff of the Fund is of the highest quality. It is sometimes difficult to reconcile the two principles without compromising either, particularly for macro economists.

The Fund is committed to the balanced representation of our membership, and to reflecting the balance in our staff. For many years, the Fund has made good progress toward the goal of a more diverse Fund in terms of focusing on region and gender, while promoting diversity on many other dimensions as well such as education, culture, and university background. Quantitative benchmarks for regions and gender were introduced in 2003, and since then we have steadily moved toward these targets, but more needs to be done because we have not achieved many of the targets.

This year marks the end of the period for the benchmarks set in 2008, and it is important to review where we have succeeded and where we have failed, and why, and to learn the lessons from one to address the other.

In November 2013, we constituted a Diversity Working Group to review various aspects of diversity, our performance against benchmarks set in 2008, best practices in the diversity area, and to give us its recommendations. This working group includes representatives from across the various departments of the institution, from across the hierarchy of our staff, and includes representatives of SAC. It does not include management.

The Diversity Council reviewed and I have approved its recommendations on the proposed benchmarks for 2020. The report has been circulated to Directors as background for the Diversity and Inclusion Annual Report. These benchmarks are not where we would like to be. We would all like them to be higher. But given the reality—in other words, we are not an institution that grows, we have budgetary constraints, we have a low expected turnover of staff, which will probably continue—we have to be realistic in setting goals for ourselves, without assuming that the institution will grow, or that turnover will suddenly accelerate. But the goals that have been set are achievable with focused effort.

Some Directors have complained that the proposal from the group was to drop transition country benchmarks for two reasons. First, because the

benchmarks for A9 to B5 have been met, and while the B-level benchmarks have not been met yet, we have a strong pipeline that indicates that we will be hitting those targets, and we have to be mindful of letting that pipeline deliver in order to comply with the objective. The second reason why these were dropped was to focus the attention of senior management and the Human Resources Department (HRD) on where progress has been too slow—namely Africa, the Middle East and North Africa (MENA) region, and East Asia. It does not mean that hiring from transition countries is not important, or that we will forget about it, but it means that under the constraints that we have, we need to focus squarely on where we have fallen short.

We need to go beyond what we are doing, and inclusion in particular has to go beyond the pure diversity initiative. We have made progress in reaching out to other regions when hiring—because it is not just a gender issue, it is not only an underrepresented country issue. It is also an issue of universities and educational backgrounds, and we are now hiring from universities beyond the traditional sources of recruitment, particularly the United States, and developing a campaign to hire from other universities. For example, in 2012 and 2013, we interviewed at 10 universities in Asia and Mr. Plant just returned from a recruitment mission that included visits to five more universities in that region. In 2014, we visited seven universities in Africa following trips that were made in 2011 and 2012. We have visited universities in the Middle East and Latin America on a regular basis. In 2013, we sent recruiting missions to 18 universities in Europe. That compares with a lower number until 2010, which is when we started developing an effort to hire from those other universities.

Diversity of experience is also a key element, particularly in our midcareer hiring, and we plan to further broaden our reach in that respect. However, introducing additional benchmarks would dilute the focus in key areas where we need to make progress, and also make the system more constrained. Over the last year, there has been a focus on creating an inclusive environment to make sure ideas and views of staff from different backgrounds enrich the Fund's products and offerings. We have introduced cultural sensitivity training into leadership development efforts. We have initiated a monitoring program for staff from regions that reported feeling less included in the 2013 Staff Survey. We have undertaken a salary and career progression equity study conducted by an external expert, and launched a talent review process at pre-managerial levels to focus on developing staff and building a robust pipeline. We have also been using the accountability framework that applies to heads of departments, and that is supposed to trickle down the line

in each department, where we have included diversity track records and objectives.

The other recommendation of the Diversity Working Group will be considered by the Diversity Council with advice and guidance from our new Diversity Advisor, and in consultation with departments. With the new advisor's help, we also plan to strengthen our focus not only in moving toward the quantitative benchmarks, but also in creating an open and inclusive work environment.

The staff representative from the Human Resources Department (Mr. Alhusseini), in response to questions and comments from Executive Directors, made the following statement:^{2 3}

I will discuss the diversity benchmark, the FY2014 results, and I will summarize the inclusion efforts thus far, what we have been doing over the last few years, and then next steps. (Slide 2)

I would like to provide some history of the benchmarks. (Slide 3) The initiative started in 2003, setting benchmarks for 2008. At the time there were benchmarks for B-level women and for professional and managerial staff at the A9 to B5 from sub-Saharan Africa, the Middle East, and transition countries. In 2008, the same benchmarks continued, but new benchmarks for East Asia were added as well as B-level benchmarks for staff from the four underrepresented regions.

Given the good achievement we had on women at the B-level by 2011, we reset the benchmarks for women at the B level. In 2014, we set new benchmarks for the year 2020. Now, the benchmarks are set broadly on the basis of financial quota, and then they are adjusted for the level of engagement in the region. There is also consideration for whether they are achievable. These two main factors play a role in the adjustment on the basis of the financial quota.

Slide 4 shows a broad view. Since we started the benchmarks in 2003, there has been an increase in the representation of staff from underrepresented regions by 11 percent to 32 percent at the professional and managerial grades. For women at the B-level, there has been a 9 percent increase to 24 percent.

² 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.

³ The staff's presentation is included as an attachment to these minutes.

The next few slides will zoom in on each group. Slide 5 shows the staff from the underrepresented regions in the professional and managerial grades. There are bars for each of the groups. I will take one example and explain the color coding of the bars and the lines. If we take East Asia, the orange bar represents the result for FY2003, and the blue bar is the result for 2014. The green line above the bar is the benchmarks for FY2014 and the red line is the new benchmark for 2020.

Except for the Middle East, there had been some progress, even though two cases still fell short of the benchmark, and we slightly exceeded the benchmark in the case of transition countries. But in the Middle East, the progress is very limited.

For the B-level initiative that was introduced in 2008 for staff from underrepresented regions, the gray bars are the result for fiscal year 2008. (Slide 6) This is the year that we started the benchmarks. In this case, there has been good progress for the Middle East, slightly exceeding the benchmark but still short of the other groups.

For B-level women at the managerial grades, the orange represents the level achieved in 2003. (Slide 7) The green rectangle on top of the bars represents the benchmarks for 2014, because for this benchmark we used ranges rather than one specific number. The new targets or benchmarks for 2020 were the upper band of these ranges. We see some good progress, slightly short of reaching the benchmarks for FY2014.

In addition to the benchmarks for 2020, we also have recruitment benchmarks. (Slide 8) In the case of women at the B-level, it started in 2011, but we are now introducing recruitment benchmarks for sub-Saharan Africa and the MENA region for professional and managerial grades. The purple bar represents the five-year average from FY2009 to FY2013, the benchmark hiring grade per annum for all the people we hired at the professional and managerial grade. The new benchmarks are depicted by the red lines, and the one green line, which represents the benchmark that was put in place in 2011. Once again, we see some improvement in 2014 for women and for sub-Saharan Africa, and same level for the MENA region.

As the Chairman highlighted, given the great success we had in the hiring and promotion of staff from transition countries, the working group thought that there was no need to place significant efforts on staff from transition countries, and instead focus the efforts on where it is most needed,

by introducing new recruitment benchmarks for Africa and the MENA region, given the difficulties we have been having, and the great emphasis this year on inclusion to drive the achievement of the benchmarks. (Slide 9)

In 2014, we have had some good experiences but also some negative ones. (Slide 10) I will start with the negative. There is a limited promotion pipeline for staff from Africa and the Middle East, lower promotion to the B-level for staff from underrepresented regions, and a decline of hiring of women in the Economist Program (EP)—one-third third compared to the previous year. There was also a slight decline in the hiring of women at the midcareer level.

On the positive side, we have seen more overall promotions for women, more recruitment in the B-level diversity hiring program; an increased number of recruitment missions; improved educational diversity, especially at the EP level, but also overall, even though it does not show in the numbers because the stock is so large and the flow is limited; and tracking of diversity and inclusion indicators and the accountability framework.

I would like to provide a summary of the inclusion initiatives that we started with. (Slide 11) We now measure inclusion in the Staff Survey, and the inclusion index is part of the accountability framework. We also introduced cross-cultural competence assessment and training. We introduced a new group mentoring program that would complement existing one-on-one mentoring programs, and also conducted the salary and promotion equity study. The study was received recently by the consultant and will be shared within the next few weeks.

In terms of next steps, there is a set of recommendations from the Diversity Working Group other than the benchmarks that will be reviewed by the new Diversity Advisor in consultation with departments reporting back to the Diversity Council. (Slide 12) We need to have greater integration of inclusion and diversity in all key HR policies and processes. We need to develop a diversity and inclusion strategy to make progress against the 2020 benchmarks, and positively impact the culture of inclusion at the Fund, and I am confident that Ms. Younes will effectively take this agenda forward.

Mr. Alshathri made the following statement:

We thank the Diversity Office, HRD, and the Diversity Working Group for their work. We also welcome the new Diversity Advisor and look forward to accelerated progress toward the diversity goals under her

leadership. We detailed our views on key issues in the joint gray statement. We also note the concerns expressed by the IMF Arab group and the sub-Saharan African group, and would like to emphasize the following points.

We believe much remains to be done to enhance the diversity, and as the Chairman mentioned, particularly with regard to regional diversity. We are deeply concerned about the slow progress in increasing the share of staff from the MENA+ region. In this context, a lack of departmental home bias in the Middle East and Central Asia Department (MCD)—while such bias is clear in other departments—has resulted in the lack of adequate representation from MENA+ in MCD at all levels. This limits the progress toward achieving diversity goals. Moreover, representation of staff from MENA+ in other departments seems negligible. We therefore call for further efforts to increase the share of staff from MENA+ through a more proactive approach and stronger accountability at all managerial levels.

It is also important to ensure that any further progress to increase the presence of underrepresented regions is stronger and more sustainable, including through looking into the types of contracts offered to staff from these regions. Although we acknowledge the progress made toward increasing the share of B-level staff hired from MENA+, we note that out of the total of 17 staff promoted from A15 to B1 in FY2014, none were from sub-Saharan Africa or MENA+, and only one was from another underrepresented region. In addition, senior staff and department heads that were recently hired were all from advanced economies, which goes against the goal of promoting diversity. The staff has indicated in the responses to technical questions that an additional five staff from underrepresented regions have been promoted to B1 in FY2015. We would appreciate information on whether any staff from sub-Saharan Africa or MENA+ were covered in this round of promotions. Looking ahead, we welcome the increase in the B-level benchmarks for the MENA+ from 5 to 6 percent. The current decentralized hiring setting, with significant autonomy given to departments, has made it difficult to achieve the diversity goals and consistent application of recruitment and promotion policies across departments.

We therefore strongly support a more centralized hiring practice with a greater role for HRD, a point also made by Mr. Kajikawa and Mr. Meyer, to ensure greater institutional oversight of managerial decisions on hiring and promotion. The persistent concerns of staff from underrepresented regions, particularly sub-Saharan Africa and MENA+, over their career progression and perception of workplace exclusion are worrisome. In this context, like Mr. Haarsager, we look forward to additional efforts to increase inclusion

among staff. We welcome the establishment of a new benchmark for the share of A9 to B5 recruitment for MENA+, a region where progress is most needed. Nonetheless, we are of the view that the new benchmark is not sufficiently ambitious. In particular, the 10 percent recruitment benchmark is unlikely to help the Fund reach the 8 percent diversity benchmark for MENA+ by 2020. We therefore have urged raising the minimum recruitment benchmark above 10 percent.

Waiting until the end of the year to find out about the progress would not help advance the diversity agenda. Therefore, we call for a midyear reporting and briefing on the progress. In addition, we call for setting up indicative intermediate benchmarks, as waiting until FY2020 could undermine accountability among senior managers toward achieving the benchmarks.

In addition, we would urge stronger efforts to retain staff from the MENA+ region. Finally, we consider, like Mr. Cottarelli, Mr. Dupont, and Mr. Sun, that a deeper discussion of the reasons behind the persistent gaps on most benchmarks and a reflection on the needed corporate changes to processes or culture would be necessary. This could be informed by a working group of external experts under the auspices of the Executive Board, as suggested by Mr. Mozhin.

Ms. Meyersson made the following statement:

We support the Chairman's efforts to strengthen diversity at the Fund. But it is necessary at times to say it again. We support diversity because it is essential in reaching the wider objectives of this institution. Looking at the aggregates for women in the Fund, we have gone backwards from a total of 46 percent in 2007 to 44.7 percent today. There were four female heads of department in 2010, less than 20 percent. It is the same number today. According to the staff's responses to technical questions, it will take 20 years or more to reach gender parity at A9 to B5 levels. The progress on diversity so far has been too slow. It concerns gender, professional background, and regions, and it is important to understand the reasons behind this poor development and I am not sure I fully do. Low turnover makes it more difficult, but it does not explain why so few women have been promoted or hired at the highest department director level. No female B-level economist was hired last year and yet there were nine B-level economists hired.

Another argument is that ratio of women in the applicant pool is not favorable, but we can hopefully do something about it. We agree with Ms. Plater that there is a need for further outreach to potential women

candidates, and there is much more to be done in addressing the soft work environment, be it workplace flexibility, or creating a spouse- and child-friendly environment.

The Fund has a number of ways of doing so. But access to these tools is not always easy, nor is implementation uniform across the Fund. Stronger and more user friendly frameworks would benefit both men and women. While there may be a promising evolution in the pipeline to the B-levels, all managers should make sure that the women running through the pipeline get the opportunities, the exposure, and the visibility to make them obvious choices for B-level positions in due time.

Diversity is not only about strengthening the legitimacy of the institution. It is critical to reach the goal of the Fund, and for the effective execution of the Fund's global mandate. There is a need for a broader discussion and sadly, as the Chairman noted in the beginning of our discussion, we often need to be reminded of this. There is a need for a broader discussion within the Fund, in the Board, among staff, and by management of whether this is the case. Unless people are convinced that increased diversity will improve the possibility of reaching our goals, and in a more efficient way, we will not reach them. The governor at one of our central banks in my constituency in the beginning of the 2000 stated publicly that it would take longer and be more costly to reach the inflation target of 2 percent as long as the country did not have a more balanced gender composition. It was brave, but he strongly believed that was the case. As a consequence, the authorities reached out on a grand scale to make it happen.

Are we prepared to say the same about our goals and our mandate? If yes, there is an urgent need for a higher speed on diversity, and the aim is not to place diversity above merit. Instead, if the Fund is confronted with candidates with the same merit, the Fund should hire a woman preferably from an underrepresented region with a professional background outside the United States and Europe.

As we noted in the gray statement, the system of benchmarks is too complex with the potential to be at odds or mutually exclusive. There is a need to prioritize and create a hierarchy for benchmarks. There are a number of good suggestions in the report from the Diversity Working Group on how to meet the benchmarks. I want to stress one in particular: A greater role for corporate hiring. At present, the Fund's hiring is decentralized, and apart from senior appointments in the Fund, the review committee has played little effective role in increasing diversity. It was clear from the discussion of the

categories of employment that Directors agree on placing greater emphasis on the institutional perspective in appointments. If we are serious about diversity, and given how far we are from the benchmark, the review committee should vet a large part of appointments, if not all. That can be relaxed when benchmarks are met.

I would like to conclude on a personal note, by agreeing with the Chairman's remarks from a speech in May that gender targets and quotas must play a role. The mountain is simply too steep to climb without a little help on the way up. We must probably force the change. Why not start with vetting all new appointments from the bottom to top?

Mr. Snel made the following statement:

I also thank the Diversity Working Group and the staff for the presentation, and I welcome Ms. Younes to the team. They have had a good start. I was especially happy with the fact that they all came to Directors' offices to explain some of the issues.

As many other Directors expressed in their gray statements, I could not agree more that a diverse staff is essential and key for the functioning of an international organization like the Fund. It is probably coming close to the mandate.

We welcome that progress has been made since we started this exercise a few years ago, but we also note that progress during the last years has been modest. We know that it is difficult to achieve all the goals in a few years, a longer view is needed to get it done, but we hope that the pace will pick up again.

Diversity is not only high on the agenda of the Board, it is also high on the agenda of management, and I trust their efforts to ensure that lower and middle management will support this. Although benchmarks are necessary to achieve goals, the discussion today and in the future should not only be a box-ticking exercise to check whether we have met certain benchmarks. We should more generally reflect on the necessary conditions to ensure that the Fund is a modern organization where people from all educational backgrounds, religions, sexual orientations, genders feel welcome and are included.

I strongly concur with staff and the Chairman that diversity is not the only goal. Merit is the other factor that is always important, and nobody is questioning that.

To put some emphasis on the issues we find important for the way forward, one is the educational background. It is not a new issue, but it is a potential obstacle in getting the Fund to be more diverse. The Fund has been working hard to expand its focus beyond the PhDs from certain universities, especially from the United States and the United Kingdom. There has been a great amount of effort to find other universities that provide good candidates, and it was also expressed in the statements of Mr. Benk, Mr. Meyer, Ms. Meyersson, and Ms. Tangcharoenmonkong, that educational diversity is key and we should encourage the staff to continue its efforts in this regard.

Another point also expressed in some gray statements from Mr. Meyer, Ms. Meyersson, and Ms. Plater is that Fund employment in general should be compatible with family life. For staff with dependents, especially staff with younger children below school age, it is important that working conditions are favorable and affordable for families that move to Washington DC. If one looks at the benefits package for this category of Fund staff, we seem to be stuck in the nineteenth century model—where one partner, most of the time, the man, will work while the woman stays home and takes care of the children. We have to change that system. More efforts and initiatives are welcome to include the pool of qualified staff dependents in the Fund's work. The World Bank is making a greater effort in that sense, a possibility we should also look into. We have to avoid a situation where qualified candidates refrain—and I have seen it happen in practice—from applying to the Fund's position because they are concerned about the career paths of their dependents.

I support the Chairman's comments. I support the diversity team in its work. I have heard the arguments for why it is sometimes hard, but we should not stop working toward those goals.

With regard to the transition economies—and I have heard the arguments cited by the Chairman—I still feel that by discontinuing the benchmarks, the process will be stopped too soon. It is management's decision not to do that, but it is essential to keep track of this group, to make sure that progress toward the B-level promotions is affected.

Mr. Meyer made the following statement:

We welcome the opportunity to discuss the report in today's Board meeting. I thank the Chairman for her rich introductory statement, and the staff for the presentation. Reading through the gray statements, we note that there are many different views and priorities within the 24 constituencies. It is not an easy task to bundle or even implement them all together and still have a consistent package. However, there are some principles that should guide us and that guided management and staff, and those principles show that we have to balance a number of aspects.

First, diversity benchmarks should be an objective, at the same time, certain judgment and prioritization is always necessary. Second, they should be as focused as possible on the most pressing issues, but should not lose sight of any important elements. Third, overall they should be as transparent and traceable as possible to hold us accountable, while keeping in mind that we cannot control all elements that will decide if we are successful.

Having said this, we agree with the proposed diversity and inclusion strategy and the revised benchmarks. But considering the aforementioned balancing act, I would like to make three points.

First, we see great merit in including more explicitly staff's educational background as a benchmark for diversity, alongside gender and nationality, which is also pointed out by the majority of the Directors in their gray statements.

We consider recruitment from a broad range of universities from different regions, as an important factor to the self-critical evolution of the Fund's economic policy advice. Therefore, we encourage the staff and management to work further on this issue and to consider introducing an additional benchmark measuring educational diversity—it can be soft, but quantitative. The main point is to hold ourselves accountable to make progress on this front. To a certain extent, the presentation given by the staff was telling. There was not much on the educational background, but at the very the staff said that progress had been made, but it is hard to understand how to do that.

We take note of the concerns—especially in the gray statement by Mr. Alshathri, Mr. Beblawi, Ms. Kapwepwe, Mr. Mojarrad, and Mr. Yambaye—that regional diversity should remain the main pillar of the Fund's diversity policies. However, we believe—as Ms. Meyersson noted—

that increased educational diversity should also support the goal of geographic diversity. It is going in parallel if we reach out to more universities globally, we should expect that those regions that are underrepresented should profit from those efforts. The concern is well taken, but it should run in parallel.

My second point is that we welcome the idea of taking financial quota shares as benchmarks for regional diversity. We do not see the necessity that some regions in which the Fund is engaged to a large extent should be represented by a higher share, and other regions where the Fund's engagement is lower should be underrepresented. Where the Fund is engaged heavily changes over time, with a time frame of five to seven years, so if we always readjust our strategy in terms of diversity, it does not make much sense. I fully agree that in terms of our benchmarks, we need to take into account whether they are achievable.

Third, we thank the staff for the comments regarding the work environment, particularly for young families. We look forward to discussing these issues in the context of the upcoming benefits and compensation discussion. Like many others have mentioned, such as Ms. Meyersson and Mr. Snel, it is an important element, and the staff and management might also consider that an even better work environment might also allow women to have more successful career advancement in the Fund, improving prospects for women from underrepresented regions to be promoted to the B-level.

Finally, after setting benchmarks, implementation is the real task, and we encourage the staff and management to further work on it. In this regard, we would like to highlight the crucial importance of inclusion, and of a more intense communication between superiors and staff members, so that minority groups feel uncomfortable with the work environment. This should be another step in the right direction for improving inclusion.

In this context, a high degree of professionalism is required on the management level to cope with inclusion ideas and processes, as these goals have to be balanced against the overriding principle that performance and competence determine hiring and promotion.

Mr. de Villeroché made the following statement:

I thank the staff and the Diversity Working Group for their comprehensive documents and the helpful bilateral discussions, and we welcome Ms. Younes to her new position.

Generally, we are fully convinced about the importance of staff diversity and inclusion. It is critical for the efficiency of the institution.

On the strategy, it is a complex issue and a comprehensive policy is needed to address it. Therefore, we are fully convinced that we should not oversimplify the question by focusing on an overly narrow number of indicators. We need to monitor many indicators. We should not limit the number of structural benchmarks. We can monitor an indicator having specific targets with benchmarks, so therefore the current wide indicator strategy is appropriate. Maybe we should extend it to language diversity, but overall it is a helpful tool when hiring people.

On educational background, diversity is more than desirable. It is essential to cultural diversity. It is also essential for good sentiment in the institution. Some progress has been achieved, but we remain backward on this issue.

I do not want to elaborate on what Mr. Snel and Mr. Meyer just said, but we need more efforts to reach out to universities beyond the United States and the United Kingdom. I would like to focus on language. I understand that language skills are hard to assess among the staff, because the only data we have are self reported data. It could be worthwhile to explore this question further and take the institutional viewpoint where language skills among staff are available, because they will help to foster dialogue with authorities.

It is desirable to have a better assessment of the institution's needs in terms of language skills. Our experience with sub-Saharan African countries is that French, Spanish, Portuguese language skills are highly important to have good engagement with the authorities.

From the staff's point of view, language skills other than English should be recognized, valued, and rewarded. On the other hand, it should not be considered a barrier that puts pressure on persons to accept some positions because we lack some skills in the staff.

Ms. Tangcharoenmonkong made the following statement:

I have a few points to highlight. First, we agree with the other chairs on the limited and slow progress on efforts to promote diversity and foster inclusion in the Fund to make it truly reflective of the diversity of its membership. We note that although new and higher benchmarks were set for FY2020, the report was silent on highlighting the key lessons learned in the

past, such as the major reasons for the non-achievement of most diversity benchmarks in 2014, as well as the major initiatives that need to be pursued in the medium term to achieve the new and higher quantitative benchmarks for FY2020. This was reflected in a number of gray statements, and we welcome the staff's further comments in this regard.

Second, on educational diversity, we welcome the Fund's increased outreach in 2014 to more universities in the East Asia region, and the use of social media and other tools for recruitment purposes. We further encourage the staff to continue broadening the range of countries and academic institutions to which the Fund sends recruitment missions.

Third, the staff reports that the Fund is close to achieving the 12 percent benchmark for East Asia. However, achievement of the benchmark in 2014 is put at risk by the reported higher separation rate for staff from the East Asia region, especially at the B-level, as well as the limited advancement to more senior levels from underrepresented groups. On a technical note, the staff explains that the separation was partly due to expiration of the short-term secondment, but we hope to see a more continued secondment program to replace those people that leave.

With these benchmarks, the Fund needs to go beyond recruitment and develop programs that will support the retention and advancement of staff from underrepresented groups, particularly in light of the large gap that persists compared to the quota share, as also reflected in the grays from Ms. Plater and Mr. Sun.

Mr. Nogueira Batista made the following statement:

We have issued a statement, but I would like to stress a few points and make a few comments after reading Directors' statements.

As mentioned in the Main Themes in Grays, the Board in general, including our chair, is disappointed with the insufficient progress in the diversity agenda. An assessment of the factors explaining the insufficient progress should have preceded the setting of new benchmarks. Unfortunately, new benchmarks that are not much different from the old ones are proposed and it is doubtful that the proposals set forth will bring meaningful results.

Like many others, we believe that a corporate-wide cultural change and strong support by management will be key to achieving results. The fact that a large portion of the Fund staff does not feel included would recommend

a shift toward a more inclusive culture. In this regard, the diversity profile of senior managers, as underscored by some Directors, is important, not only because they have the power of recruitment, but also because management culture shapes the dialogue on inclusion.

More dimensions of diversity beyond regional and gender diversity must be taken into account to achieve greater inclusion, and more ambitious proposals and measures on how to improve educational and professional diversity would need to be set forth.

The absence of staff from small states has been noted in our gray statement and also by other chairs. We are not convinced that efforts to recruit candidates from small states in underrepresented regions as described in the staff's answers to question 14 are sufficient or adequate. New initiatives are needed to strengthen the representation of small states among staff. Talent should also be sought in small states in overrepresented regions.

This bears on the importance of focusing on countries and not solely on regions, as we have repeatedly suggested in many previous discussions, and the suggestions fell on deaf ears. Increasing the presence of nationals from small states in the special appointee program would be a small step in the right direction.

We call on management to take decisive action. We would not like to be discussing the same type of report next year.

Mr. Chaturvedi noted that there were some countries in his constituency that had absolutely no representation in the staff. He recommended that the Fund find ways for the whole membership to be represented in the staff.

Ms. Kapwepwe made the following statement:

We thank the Chairman for her opening remarks and we thank the staff for the report and the presentation. We appreciate the work done by the staff and the Diversity Working Group and we welcome the new Diversity Advisor, we are happy to note that the advisor is a woman.

The report highlights the limited progress that has been achieved in mainstreaming diversity within the Fund and in creating an inclusive work environment. Against this backdrop of unsatisfactory performance with respect to the quantitative benchmarks for underrepresented groups, we consider the 2020 timeline for attaining new benchmarks as less ambitious.

We would almost expect indicative targets to be set to help maintain focus on the benchmarks and effectively monitor progress toward the attainment of the benchmarks. The staff's comments are welcome.

We also reiterate our concern that recruitment and promotion of staff from the underrepresented regions continues to be below our expectation. We urge that recruitment missions to these regions be reinforced, and I welcome the Chairman's remarks that this will be increased. But what is of concern to us is that this translates into employment of diverse staff in the Fund. At present, passing the panel interview does not translate into employment for most of the applicants, especially from the African region. We would welcome the staff's comments on this issue, including efforts to address the situation, as this will help increase the number of diverse staff for future promotions to managerial levels.

We encourage the Fund to enhance the diversity of educational institutions, including African universities, to help enrich and broaden the Fund's perspective on global policies, challenges, and solutions. I support the position taken on this by Mr. Meyer and Mr. de Villeroché.

On the issue of multiple nationalities, we support the report's recommendation for the continued reliance on the staff's primary nationality for assessing progress toward attaining the institution's diversity goals. Information on secondary nationality is nonetheless helpful in providing a broad outlook for the multicultural nature of the Fund.

We call for ways to foster inclusion, including the strengthening of mentorship programs for staff from underrepresented regions. Similarly, it is important for diverse staff to have equal access to prime assignments to increase visibility and competence. Within this context, we urge strong implementation of the short- and long-term measures proposed by the Diversity Working Group, with emphasis on institutional oversight on hiring and promotions and change in management behavior. We look forward to the Diversity Office's continued engagement with staff to ensure speedy realization of the institution's diversity and inclusion goals.

Serious challenges remain in achieving regional, gender, and broader diversity. The report clearly shows the intended results in terms of recruitment, promotion, gender, and education diversity are still not being met. This calls for continued serious examination of the strategy of the diversity agenda in terms of management culture, targets, timelines, recruitment, educational background to ensure that they are adequately

robust and supportive of the Fund's diversity agenda as set out in the Articles. Lessons learned from the limited progress made so far should help shape our actions going forward.

Mr. Brunelle-Côté made the following statement:

I thank the Diversity Office and the members of the Diversity Working Group for their important work promoting diversity within the Fund and for their answers to technical questions. We are disappointed that only 3 of the 11 quantitative benchmarks have been met for the year 2014. That being said, this failure to meet our benchmarks should not mask the fact that since 2009 some progress has been achieved on all of the benchmarks, although maybe too slow in some areas. Benchmarks are undoubtedly an important tool to measure progress vis-à-vis our objectives. But as noted by Mr. Snel, these numerical benchmarks are not an end in themselves and we must be wary of too narrowly defining the diversity challenge in terms of easily measurable indicators.

Like other Directors, we note that the report concentrates more on geographical and gender diversity and progress toward reaching benchmarks in this area. The establishment of new targets for 2020 offer a good opportunity for a broader discussion about whether we are benchmarking the right thing, and this opportunity was missed. For example, in the Board, two Directors highlighted the importance of educational diversity, which is important but for which no benchmark was established. We would also note that professional diversity—which is also mentioned in the report but not dwelled upon—is important, and we will ask the Diversity Office in future reports to focus on professional diversity and past work experience.

As several colleagues mentioned, greater diversity can be a potentially powerful catalyst for positive change. Often in the Fund, we talk about the importance of diversity because we are an international organization, and we believe that this will increase our credibility. But diversity is also important in itself because all modern organizations need to have diversity in order to have new ideas, and that is what will ensure we get the best people in the Fund. If we are to fully benefit from this potential, in addition to focusing on targets per se, it will be important that we make progress in parallel on the institutional cultural challenge we are facing in this organization—particularly the need for greater clarity about the institutional values we want to promote and the behavior and capacity we want to embed and reward among staff.

In that context, the most alarming element of the report is the modest results regarding the staff's perceptions of inclusion. The inclusion plan, the action plan, is an important first step to address the serious problem, but it will be crucial for the Diversity Office to further investigate this issue, and we welcome the commitment that was part of the presentation to develop a strategic framework for inclusion and more concrete action plans to create an inclusive work environment. That is where progress needs to be made.

Mr. Jbili made the following statement:

I thank the staff and the Diversity Working Group and I welcome Ms. Younes. We look forward to interacting with her and helping her in any way we can to further advance the diversity objectives.

Much progress has been made in the infrastructure, in the apparatus. The initiatives that have been undertaken by the Diversity Working Group are impressive. Unfortunately, the result have disappointed, and in reading the gray statements, one runs into this disappointment several times. The most egregious disappointment is with regard to sub-Saharan Africa and the MENA region. This is where the least progress has been achieved, with some minor exceptions. It is understandable that this is the area of diversity where the focus should be the strongest, and the actions should be the most serious and more sustained.

With four other Directors, we have highlighted our view and our suggestions. We also support Mr. Alshathri's comments, but going forward, we do not want business as usual. We have seen that this has not influenced the outcome. Something different has to be done, and though the report describes the disappointing outcome, it provides no explanation of why. We need to know why. What could be different and how could we have achieved this result?

Another source of disappointment is that the objective will not be achieved in 2014, and the solution is to postpone it to 2020. We do not agree with this. For 2020, we have to have a realistic, but ambitious objectives and realism should not be a reason not to do more. What Ms. Meyersson has said with regard to gender diversity also applies to underrepresented regions. The same effort, the same focused attention to detail is required. In the areas of hiring and promotion, the devil is always in the details. We expect a more proactive role of management and HRD, better supervision, and better oversight of recruitment, and promotion.

This being said, I also agree with Mr. Alshathri that some preliminary targets should be set before 2020. We do not want to reach 2020 and realize again that the benchmark has not been achieved. We need some intermediate targets.

Regarding the share of B-level staff, everybody knows that the share of staff from the MENA region is dismal at the senior staff level. We expect some sustained efforts by management and we expect these efforts to be on the same level of efforts to improve the share of B-level women in recent years. Given the low level of promotion of A15 staff to B1 from sub-Saharan Africa and MENA, we also call on management to conduct a review of promotion policies and practices. This will be important to know why people from these two regions are not promoted as needed to achieve the diversity objectives.

Finally, on the issue of qualification and merit, we are the first to say that there should be no compromise on attracting and promoting highly qualified staff. Diversity should not be a reason not to hire qualified people, and I know that there are qualified people from underrepresented regions who can be hired in the Fund and can be promoted.

Mr. Benk made the following statement:

We would like to focus on two issues that we have already touched upon in our gray statement. The first is the benchmark on transition countries. Like Ms. Meyersson, Mr. Snel, Mr. Heller, Mr. Radziwill, and Mr. Mozhin, we disagree with the discontinuation of the diversity benchmark for transition countries. There has been no progress whatsoever during the past four years in improving the B-level representation of transition countries. Moreover, the gap between the benchmark and the actual representation is the highest in relative terms among all other benchmarks. With these two developments, the B-level transition country indicators are the worst performing benchmarks. It is therefore a negative surprise that the staff proposes the discontinuation of the worst performing benchmark and consequently we suggest that management reconsider this decision.

The second issue I would like to emphasize is staff morale. We are concerned about the perception among so-called mainstream groups that they are at the losing end of the Fund's efforts to increase diversity. This issue requires more attention. The question remains what else we can do to avoid the perception of unfair treatment beyond keeping recruitment and promotion merit based.

Our suggestion would be to strengthen the internal communication of the business case for diversity. We all know that there is a strong business case for diversity of thought, and the roots of diversity of thoughts are in national, gender, educational, and cultural diversity. I am missing the extensive elaboration on the business case from this diversity report. This should be a permanent section in every report.

I ask the staff and management to strengthen the reference and reiterate the business case for the diversity of thought in every communication or report that touches upon diversity issues.

Mr. Radziwill agreed with Mr. Mozhin, Mr. Snel, Mr. Benk, and Ms. Meyersson that it was premature to discontinue the benchmark for transition countries. Transition countries were the worst performing group, and in the past 11 years, this group had only reached 50 percent of its B-level benchmark.

Mr. Kajikawa made the following statement:

We appreciate the staff and working group's effort on this proposal. We are a bit disappointed because many of the benchmarks for 2014 are not met, especially as East Asia has made almost no progress at the B-level. Setting benchmarks is important, but implementation to attain these benchmarks is more important.

Having said that, the job market for the Fund is too narrowly defined; our mindset is too narrow in terms of how to recruit people to the Fund. There are two sides, the demand side and the supply side.

For the demand side, the Fund must be effective, and to be effective it needs a good combination of theory and practices. What we need is people with a good academic background as well as the actual experience of each government or each region. If we define the market more broadly, then we have a good source of recruitment. In terms of the field of the academics, macroeconomics is the core of the institution, but the issues we are facing now are wide. We have to know the financial markets. Financial measures are important, and market experience is also important. International financial institutions also face geopolitical issues, so international relations measures are important. From the demand side of the Fund, we should see a wider range of staff background.

On the supply side, a Director from a country like ours, if he or she wants to join the Fund, he or she has to speak English and come to Washington, D.C. with family. That makes it hard for them to join. If the Fund requires excellent PhD scores from the top universities, there is no supply from our country. This is an issue to be discussed on the supply side. In that sense, the diversity of education is also important.

In that sense, we appreciate efforts of HRD to send a recruitment mission to other countries, including our country, and this effort should be continued.

In sum, the diversity itself is important, but it is also important for the Fund's efficiency and effectiveness, and the diversity of the careers, including the education and professional experience, are also important.

Mr. Sun made the following statement:

We welcome the progress on improving diversity and inclusion in the Fund, and we thank everyone who has been working hard to make this happen. Progress in some areas, although not enough, is what the underrepresented member countries have called for, for many years. This is not an easy job, as sometimes it is hard to quantify, even if we have those benchmarks.

Diversity is the soul of this institution. Further enhancing diversity can increase the relevance, effectiveness, and the quality of advice to member countries. With regard to the diversity benchmarks for East Asia for 2020, similar to what Ms. Tangcharoenmonkong and Ms. Plater have emphasized, the proposed benchmark of 15 percent for East Asia falls significantly short of the region's quota share of 18.8 percent. The report argues that this is due to the relatively higher separation rate of staff from East Asia and the region's low base. But this will not be the case if one recognizes that East Asia has been and most likely will be one of the fastest growing regions, and deserves more representation in the Fund.

In view of the low base, more efforts are needed to fill the gap rather than to widen it, and I believe East Asia has a sufficient supply of qualified candidates. The staff's written response to this question also shows that East Asian representation is even lower if we take into account the high separation rate driven primarily by staff on secondment leaving the Fund as their terms expire. There is also a structural issue for East Asia staff which deserves attention.

Taking these factors into consideration, we hope the benchmark for East Asia could be lifted to a reasonable level in the years to come.

Mr. Yambaye made the following statement:

We welcome management's new commitment to diversity goals, which has translated into a number of recent diversity-friendly initiatives, including the departmental accountability framework and the B-level diversity hiring initiative. These steps have helped make some inroads in advancing some aspects of the Fund's diversity agenda, notably gender diversity.

But regrettably progress on other dimensions of diversity, particularly regional diversity—which is the only aspect on diversity called for in the Articles of Agreement—has remained limited. In consequence, regional diversity benchmarks for 2014 have been missed, with wide margins in some cases. We have issued a gray statement with four other chairs in which we laid out the broad principles around which the Fund's diversity strategy must be articulated. In our remarks, we would like to underscore a number of specific issues that are at the root of the diversity challenges facing this institution.

That the Fund failed to achieve its diversity objectives in spite of management's commitment to the diversity agenda suggests that these issues need to be promptly addressed by the Fund to secure a better diversity outcome.

Before even shaping the diversity strategy, it is important to assess candidly the root causes of the Fund's failure to meet the 2014 diversity benchmark, as noted by a number of other chairs. Unfortunately, the Diversity Working Group did not provide such a candid and comprehensive assessment. We are also disappointed that the Diversity Working Group failed to propose ambitious benchmarks and timeframes, as well as innovative and out-of-the-box solutions to overcome the challenges facing the Fund in achieving its diversity goals.

We urge management to adopt more ambitious diversity benchmarks and timeframes based on a more candid assessment of the Fund's failure to achieve its diversity goals. In this endeavor, there is a need for greater transparency on the weight of Fund engagement in member countries in the determination of diversity benchmarks.

Adequate measurement, monitoring, and reporting of diversity goals is a precondition for better understanding the scope of diversity concerns, assessing performance, and taking remedial actions. Yet the diversity scorecard, which is deemed to measure progress against the four goals of the diversity strategy, offers only a narrow set of indicators that do not fully capture all aspects of diversity. For instance, while one of the diversity goals aims to ensure equitable access to opportunity, the diversity scorecard fails to include an indicator that monitors career progression and its consistency across staff from different regions.

This is the case even though the diversity and inclusion reports have illustrated year after year the uneven distribution of promotion rates across regions, and its tendency to be biased against staff from underrepresented regions. In this regard, we call for the inclusion in the diversity scorecard of indicators of career progression for staff in general, and for underrepresented groups in particular. We also reiterate the call made in the joint statement and supported by some other Directors for a comprehensive review of promotion policies and practices in the Fund.

We will help address these perceived biases against staff from some underrepresented regions. We understand that a salary and career progression equity study is underway and we encourage management to share the results and eventually the subsequent remedial action plan with the Board.

Furthermore, the diversity agenda cannot be satisfactorily advanced in the absence of accountability of department heads, senior managers, and division chiefs. The introduction of the department accountability framework was a welcome first step, but as noted by the Chairman during the Board discussion on the last diversity report, accountability has to apply across the institution, and not just at the level of department heads. Moreover, we see merit in weighting diversity management into the performance rating for all Fund managers. We would appreciate if management took further steps in this direction.

We welcome the introduction of the inclusion index in the 2013 staff survey, and it brought to light the weak feeling of inclusion among staff from sub-Saharan Africa, MENA +, and the Caribbean. We note ongoing implementation of an action plan that was delivered based on focus group discussions held with the staff from these regions. However, we are of the view that the chances for the inclusion action plan to be effective would have been higher had it been developed on this basis of a comprehensive review of

inclusion. We encourage management to take steps in this direction with a view to making the Fund a more inclusive institution.

To conclude, we support the call made by Mr. de Villeroché for more focus on language diversity among staff.

Mr. Field made the following statement:

There is a graphic on the intranet which shows a tree and the six initiatives coming out of the staff survey. Below that graphic, there is an anonymous comment which says that we pretend that inclusion matters but its absence from the tree speaks volumes. I looked at that ahead of this meeting and I noticed there was no reply from HRD to that person, which is telling.

Although we are making great progress in this area and the way we are trying to tackle the issue, it is not coming through in the results, and I do not believe it is in the DNA of the institution or the people in the institution. I would like to make a few points.

Signals matter. The contribution of the Chairman is incredibly important in this regard. I look around the Board room today, it is a full room, which suggests that people in this organization care about these issues, but I only spotted one head of department attending, and she left. Other than that, no other heads of department attended this meeting. That sends a signal to the organization and the people who did bother to come to this discussion. We need to get the signals right.

Measurement matters. We have these benchmarks and that is fine. They tell us about outcomes, but what they do not tell us about is the reasons. It does not tell us much about why we are getting those outcomes. I looked back at the Staff Survey. I read the papers that were produced. A few points stand out on the issue of inclusion. In the Staff Survey, one in five women report that they have experienced bullying or intimidation in the organization. That is a stark figure. From the LGBT survey, 60 percent of LGBT staff believe that coming out at work would hurt their careers. For that reason, 40 percent do not register their partners for spouse benefits. That is a stark number. I reiterate my call for more regular staff surveys. I know we had a discussion on this in the context of the categories of employment, but unless we measure this, it is difficult to understand what is going on in the organization.

I am not a great expert on statistics, but I know the more data points one has, the easier it becomes to discern a trend. We are not expecting things to change overnight, but we need to measure what is going on in the organization to be able to assess whether we are moving in the right direction.

We need to understand the reasons. After that, we have to identify the barriers and figure out how to break them down. People have discussed the culture in the organization, the policies, the soft working environment issues. Ms. Meyersson spoke powerfully on the issue of gender diversity, and she pointed out that at the head of department level and B-level, our hiring has not been brilliant on that front.

It would be good to understand why, and that is not covered in the paper. It would be good to understand whether women were not applying to those positions, or whether they were applying and not getting through. If they were applying and not getting through, we should try to unpack the reasons for that. Unless we get details and understand what the barriers are, we cannot hope to address them.

This is an important issue, as many Directors have noted. It is a particularly important issue for the Fund because if we are going to be able to understand how our work as an organization impacts the countries that we work for, we need to be able to draw on the widest possible set of backgrounds and experiences. I wish management well in its efforts to tackle this issue, but clearly there is more work to do.

Mr. Cottarelli made the following statement:

The Chairman knows how strongly I feel about this issue. Diversity is a value-added in itself. I will rephrase the way my colleague from the Nordic chair defined the issue—namely, that given the same quality, we should hire the diverse candidate. I would go beyond that; diversity is a quality in itself. Given the same quality and other skills, probably the diverse candidate has higher quality. We should hire because this candidate because this candidate has higher quality.

Having said this, we have to recognize that although we want to make this difficult improvement in our diversity, there are two constraints that we need to take into account. One is that we want people with high skills, and in addition we want people who are diverse because diversity is an important additional skill. I was struck by this discussion because we assume that certain benchmarks are not achieved because the staff or management did not try hard

enough. There is a supply issue. I spent 25 years in the staff, and it was difficult sometimes to find people to be hired with qualities that were high enough, and to avoid the risk of hiring somebody just because he or she was a diverse candidate. There is a constraint that needs to be taken into account.

I do not want to sound provocative, but when I was leading a mission in the field, I was never praised because the composition of my team was diverse. I was always praised because of the competence of my team. The authorities do not look at diversity itself, they look at the quality of the output. I am convinced that a diverse team produces a higher quality output, but there are other skills that need to be taken into account.

The second constraint that I want to underscore is that we do not want a system that becomes unmanageable from an organizational point of view. That is why I am a bit concerned about adding benchmarks to the ones that we already have. As the Chairman mentioned, we may dilute the benchmarks that we already have, which are extremely important, perhaps the most important ones. We have heard about the proposal to include benchmarks for small states, language, education, culture. The system would become too complicated, even reduce the effectiveness of having benchmarks in terms of gender and regional diversity, which are the most important ones.

I do not agree with some other proposals that I heard in the Board. Decentralizing all hiring and personnel decisions makes a system too complicated. All the promotions at the B-level and the A15-level go through a review committee process. I am concerned by the proposal that extends the talent review to A13 and A14 staff. In my statement, I underscored that this has a cost, and in deciding to make this pilot program permanent, one has to take this cost into account. Yesterday I was talking with a diverse staff member who was telling me that in her department, the extension of the talent review on a voluntary basis to A13 and A14 level was becoming extremely costly. People did not have time to do other things.

For the same reason, I would also be somewhat worried about relying on an annual staff survey. These things are costly and any improvement stemming from the actions taken in the area of diversity take time to assess. I will not be in favor of moving to an annual staff survey.

In conclusion, we should welcome that we have seen an improvement in the indicators of diversity over the years. It is regrettable that many benchmarks were missed. I would like to understand why this has happened, to what extent this is due to demand factors rather than supply factors. It

would be important to do this in future diversity reports. We should continue to try to do better. I do not see the need for a major change in the overall strategy. We should not assess whether the strategy is right or wrong by the results in a single year. We need to look at the long-term trend, and the long-term trend is yielding some important results.

Mr. Mozhin made the following statement:

In our previous diversity report discussions, I have had an opportunity to express my indignation about the fact of no Russian nationals have ever appointed to B-level positions in the history of the Fund. With two recent appointments of Russian nationals to B-level positions, I am now deprived of this privilege. Moreover, both of these appointments were female, so this gives me even less chance to be unhappy.

Having said that, I object to the proposal to discontinue benchmarking the transition economies at the B-level positions. I join Mr. Snel, Mr. Benk, and Mr. Radziwill in urging management to reconsider this proposal. It is clear that so far there has been little progress in this area. We are still at only 50 percent of the benchmark set for this year, and this is unsatisfactory. I have heard two arguments in favor of this discontinuation. One is that there is already a sufficiently strong promotion pipeline favoring the achievement of this benchmark. This is not clear. If that is correct, I do not know why we want to deprive our successors—those who will be sitting in the Board in 2020—of the opportunity to report that they have achieved this important benchmark. What is wrong about giving them this opportunity?

The second argument is that perhaps this benchmark may distract from other, perhaps more important priorities, and the totally unsatisfactory situation with regional representation. I do not see why this should be a distraction. At the same time, we strongly support the message provided by the five chairs. It is clear that the situation with the MENA and sub-Saharan Africa regional representation is not satisfactory.

Ms. Plater made the following statement:

I note that we have our full complement of Executive Directors and Alternates in attendance. It is completely understandable that all Directors speak from the perspective of their own constituency and regional representation issues and concerns. We are no exception. We have outlined our concerns in our gray statement. I do not intend to repeat them. I can appreciate that the staff will never perfectly represent our membership. But we

all agree that the Fund should be more diverse than it is. As many people have articulated, we need to understand why progress has been limited, what we need to do better, and in that regard I want to highlight a few different elements.

As Mr. Alshathri noted, a broader discussion would be helpful. The first dimension is with respect to the Fund's policies and practices. That will include initiatives to recruit, although as Ms. Kapwepwe said, offering people positions or applying for positions does not necessarily result in their recruitment. We need to understand that. We understand what is effective in the initiatives under way, and what mechanisms may work better, and which would be different in different circumstances or situations. There are other elements on our policies that will impact our ability to attract, promote, and retain women in underrepresented regions, and in terms of staffing. Some of those are clearly HR issues.

As others such as Mr. Snel, Ms. Meyersson have alluded to, things like parental leave—in fact when I got my appointment letter I looked twice at the parental leave that would be available—seems lower than it would be at home. Parental leave, child care are HR issues, but there are other issues that will impact women or regional or ethnic groups, for example, the expectation of travel. Whether that is the actual requirement, or whether it is a perception that one must travel in order to be viewed as having the necessary experience for promotion, it impacts peoples' willingness to apply to or stay at the Fund. I would be interested to hear from HRD whether we assess the impact of the Fund's overall policies and practices in terms of the impact they may have on the staffing composition.

The second dimension is this issue of environment and inclusion. We need to value difference in this organization and we fall short of that currently. Inclusion is vital. I would have welcomed greater emphasis on the discussion in the report.

The Fund should be a safe place where people are willing to share their views, express their culture, articulate who they are as individuals, because that all adds to the richness of our environment and our understanding of the issues and the work we do. We welcome the cultural training. I am honestly surprised that did not previously exist when fundamentally the work of the Fund is engaging with people from other countries. I also welcome the mentoring to underrepresented groups.

Do we understand how some of the other issues affect that environment for people? I am even conscious that when staff members come to the Board, they see a male-dominated environment, is that an issue for people? I have heard the staff make disparaging comments that people from underrepresented groups have been promoted to positions but cannot do the job. We all believe that merit is important, but that suggests the culture of the organization has to change. I would encourage more frequent surveys to measure the sense of inclusion. It may not be annual, but it needs to be more frequent and more consistent than what has been the case.

In my view, a more inclusive environment will help us address those other dimensions that some people have raised, but I agree with the Chairman that we should focus in terms of setting the benchmarks.

Finally, I support the idea of a more centralized approach and oversight as Mr. Alshathri and others have mentioned. Strong, clear, coordinated messages are needed. I support Mr. Brunelle-Côté's comments that greater clarity of the institution's values, behaviors, of what we value and expect of staff would be helpful.

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

I thank Directors for their gray statements and this rich discussion. There are many ideas going in many different directions. I could talk at length about many of them. I will concentrate on two areas and give the floor to my colleagues to take up some others. I would like to talk about the recruitment effort and what we have done to change it. That is in some sense the base of getting a diverse staff. I would also like to discuss inclusion.

On the recruitment effort, the fundamental problem we have is that we are looking for a fairly rare talent in the world. We talk about fungible economists as if they grow on trees, but they do not. An economist who can bring academic talents and practical knowledge to bear on interesting problems is a rare talent and we have to look carefully for that.

Even outside the economist stream, in the specialized career streams, we recruit at the top levels and recruit highly qualified specialized people. The markets are relatively thin. We have to look carefully for these people. In the past, such searches have been costly, and we tended to find the lowest cost solution, which was to go to the universities we know, where we have had a history of success, and recruit people who have a track record. The cost of that

is the lack of diverse staff—going to the same places and getting the same ideas. Through the discussions we have had over the years with the Board and the institution, we realize we have to cast our net more widely to get the high quality that we need, and the diversity that we need. We miss the alternative points of view. We miss the differences if we go to the same places all the time.

With our recruitment policy over the last several years, we have tried to branch out and have done it in a few different ways. We are traveling more often into the regions, not just to stop in and say hello, but to establish contacts with universities outside the usual ones on an ongoing basis. That way, when we come back, we are familiar to them, they know the type of candidates we want. It is not like we can march into a university and there are six waiting candidates that we can interview, but there may be one every six years that we can. If we talk to faculty members, raise the awareness of the professional levels we are seeking at the institutions in these countries, then they can signal when someone of interest is available. It is an investment in going out, but going out repeatedly, renewing the contacts, and building relationships.

It is a persistence that we must have in understanding each country's specific educational structure, the work structure, the labor market. Several people in their gray statements talked about understanding labor markets and how they work. Labor markets work differently in different countries, whether one gets the expertise, how one gets one's PhD will vary. As we talk to country officials, we get a better knowledge of that, and we can start to bring people in at the appropriate level, in the appropriate way.

The other thing we are doing is using modern search methods, using social media. This allows for much better search, much wider, much more quickly. The advent of quick communications, visual communications across the globe via Skype, allows us to do initial interviews and screen many more people than we were able to. The outreach through social media is in its newest stages, but we believe it is a fruitful way to push the recruitment effort and diversify recruitment. We are looking for needles in haystacks, but haystacks all over the world. The more we can look in a cost-effective way, the more we will be able to get a diverse staff.

When it comes to the hiring process we need to take more risks. Macroeconomic PhDs from the major universities are less risky hires, a more safe commodity, but we need to think about others, people from midcareers, people from other universities, people from other points of view. We have

been doing that increasingly, and the new employment framework can help us in that regard. If giving a candidate a job offer is not seen as a lifetime commitment at the outset, we can take risks and if they do not work out, a separation can come about.

One area where we need to take more risk is the midcareer. We are going to get non-PhDs, the blend of academic interest and experience that is so essential to the institution. It also gives us expertise that we need in various areas, particularly as we have grown in the technical assistance area, we need specialized expertise. Midcareers have become an important part of our hiring.

We need to think about how we bring them into the institution and make them comfortable. We have a fairly good way of bringing EPs into the Fund. The midcareer appointees are more difficult. Several years ago, we had this pipeline of midcareer people who passed the panel but were not taken up for some reason. We went back to departments and said that we had given them a list of 25 or 30 midcareers that we had cleared for hiring and they were hiring other people. Why was that? The departments came back and said that we were not looking at the right aspects, not giving them people with language skills or a certain type of experience. In talking to departments about what they need, we have started to update our recruiting, so we are getting the right kinds of people that will match their needs. It requires a constant conversation between HRD and the departments about who should be in the pipeline. The pipeline is extremely diverse, we need to get the take up from the departments.

One thing I am also sensitive to as we recruit around the world is not robbing local talent. Often we go to central banks, to ministries of finance, we find talented people, but in certain countries those talented people are rare and they are needed in their ministry and central bank. We need to find ways of bringing that talent in and getting it back, more back and forth, so there is a tension there.

We need to keep monitoring throughout this process. We need a few key benchmarks to focus efforts, especially the efforts of the hiring departments, who ultimately have to make the decision as to who they hire.

We have to monitor multiple dimensions if we do not have benchmarks. We need to monitor by individual countries, by institutions, by language skills, by educational diversity. It is all important that we have a rich set of statistics to look at, and that we report back to the Board on a regular basis.

As the Chairman mentioned, progress will be slow. We do not have a growing budget. We have a low turnover rate. A low turnover rate is not bad. We want experience in the institution, want people to stay and build careers. But that results in change being slower than in an institution that has a significant amount of turnover. We have had significant growth in the technical assistance area over the last four or five years, where the people we are searching for are specialized. It is a very thin market, even thinner than PhD economists, and that makes the diversity challenge all the more difficult.

On the inclusion front, we share the worries of various Directors about certain groups not feeling included, and the whole inclusion agenda is an important one for HRD. Directors saw the inclusion efforts being made. I would like to make a few comments.

This notion of cross-cultural competence training was there for a long time and got caught in the budget squeeze. It is important that we put it back. It is important that as staff come into the institution, they understand the difficulties and the challenges and the rewards, most importantly the rewards, of working cross culturally. Beyond those individual initiatives that we put up, there are two or three more general points that we need to think about. We must attend to people management. The new leadership framework that we are putting in place focuses on people management and not just process management. It is a matter of understanding who the people are, how they are fitting in, how they are doing their job, whether they can do their job better, and how the institution works for them and how they work for the institution.

The whole process of encouraging people management is integral to the HR strategy. Part of this is reflected in the A14 talent review, where we are sitting down with people at the critical stage of their career where they are on the borderline of management and they need some guidance about what their prospects are in the institution, and where they might be going.

That pilot will be important for bringing this notion to managers of talking about your people—and not just what they are going to do tomorrow but what they are going to do over their career at the Fund and where they are heading.

We need to place emphasis on valuing all types of work and giving staff meaningful work across the institution. It is not just about promotion. There is an obsession with getting promoted. It is about the work. It is about valuing the work, but too often the value we place on the work is shown in

promotion. An effort we need to make is giving people valued work, making them feel included. It is not just whether one gets promoted that makes one feel included, it is about the work one is doing being valued. There is a whole issue of transparency of decision-making processes, particularly promotion processes, where we have made efforts to make more clear what the review committee does, what the senior review committee does, what the criteria are. There is more work to do on that. But that brings clarity to a process that people otherwise see as opaque. They cannot figure out why decisions are being made, and they attribute it to wrong reasons.

The respectful work environment that several people mentioned is critically important. Generally, we have a respectful work environment, but there are instances where we do not, and we have to reinforce the notion that respect is an imperative, and reinforce the staff's faith in the processes and procedures that we have when something goes awry. All of these factors lead to a more inclusive feeling at the institution.

The staff representative from the Human Resources Department (Mr. Alhusseini) noted that FY2014 was a bad year in terms of the promotion of underrepresented staff to the B-level. Only one person was promoted. However, that was not indicative of the previous few years, or of what was expected in the next few years. In FY2015, there have already been five promotions—two from Africa, one from the Middle East, and two from transition countries.

The Deputy Director of the Finance Department (Mr. Andrews), in response to questions and comments from Executive Directors, made the following statement:

As you know, I was co-chair of the Diversity Working Group with Ms. Gulde-Wolf. She is not able to be here today, but I would like to stress that we were very much co-chairs. I will come back later to talk about the Working Group and how we reached our conclusions.

I would like first to discuss the reasons for the shortfalls against the 2014 benchmarks, since it is an issue that is uppermost in many peoples' minds. Before turning to the specifics of this, I would also like to stress that it can be misleading to focus too much on annual movements in the data. The working group quickly realized that we needed to look at trends over a number of years because, especially for promotions to the B-levels, the annual numbers are small and subject to wide annual movements. The same can apply to recruitment.

On the shortfalls against the A9 to B5 benchmarks, it is fairly clear what was going on. The basic problem was that recruitment was not high enough, particularly for Africa and MENA. For that reason, we suggested, and management has endorsed, the new benchmarks on recruitment from these regions. Conversely, for the transition economies, recruitment has been consistently strong. For the East Asia region, recruitment has also been very strong; the numbers are dramatically large in some years. However, recruits from East Asia do not tend to stay for a long period. That means that there is a big disparity between the share of staff from the region and the pipeline of staff from the region who could be promoted to the B-levels. There is a constant turnover and people are not getting promoted to the B-level. That is specific to East Asia and influenced the way we set the recommended benchmarks.

The working group did not focus on the question of whether recruitment trends reflected supply or demand factors. What influenced us strongly was how successful we have been in the Economist Program. Over the years, there has been a dramatic increase in the diversity of EP recruitment. That suggested to us that, while there may be problems year to year, supply deficiencies were not generally driving recruitment outcomes.

Turning to the outcomes against the B-level benchmarks, developments vindicated the work of the previous working group in establishing the benchmarks. The number of B-level staff from the underrepresented regions in total came out to be close to what was expected in setting the benchmarks. However, the benchmarks were set in 2008 in the midst of the restructuring. There was an expectation that the staff levels would be flat, and we all know that was not the outcome. There was a need to increase staffing levels to deal with the crisis, and there was an increase in hiring for B-level positions. The simple point is that we did not have a large enough pipeline of diverse staff to fill the positions beyond what was anticipated. There were shortfalls against the benchmarks that were set as percentage shares but in terms of absolute numbers of B-level staff from under represented regions, where we came out was broadly what had been projected. We were also successful in recruiting at the levels anticipated in the benchmarks.

The salary and career progression equity study that will come out soon will provide a much more robust look at this issue, but one encouraging factor was that promotion rates for the underrepresented regions as a whole—from A-level into the B-level—were much closer, in fact pretty much equal, to the average for other regions. Historically, there had been a clear differential, with

staff from underrepresented regions being promoted less rapidly into the B-levels. At an aggregate level, that does not appear to have been the case over the last five years, which is a positive development. However, there were differences across regions. Again, it is a bit difficult to draw firm conclusions because we are talking about small numbers.

Why did we have this problem of a limited pipeline of staff from underrepresented region who could be promoted to the B-levels? This brings me back to the approach that the Diversity Working Group adopted. Our terms of reference were focused on the benchmarks—on deciding, in this large diverse group, what we considered to be the right benchmarks to set. But in the process of doing this, we had many good open discussions, and the gist of these was to emphasize that although we are discussing diversity benchmarks, the real issue is inclusion—how the organization manages its people, which has implications both for promotion and recruitment. There is also evidence from staff who have left the institution. They were asked why they left. For some of them, it was an issue of not feeling included, that they were not given the opportunities to succeed. The same factors that can hinder promotion for some staff can also be a barrier to recruitment. I can see the same issue within the organization. Departments have reputations. When people apply to a different department, they will have ideas about how the department is managed and it makes a difference to recruitment efforts. One can see it happening within the organization. The working group concluded that these factors were important both in encouraging opportunities for promotion, but also encouraging recruitment—that the “face” we give is important at all levels.

What positive conclusion can we draw from recent developments? One issue that stood out was the manner in which we have reached the benchmark for women in the economist stream at the B-level, although we are only at the bottom of the benchmark range suggested earlier. There was an expectation that we would reach the benchmark in part by hiring more women at the B-level. It did not turn out that we did that. What happened was that we promoted more women at the B-level than was expected when the benchmark was set in 2011. Why did that happen? It seems to have been because there were changes in the way managers behaved, that women were given more visible assignments, given career opportunities to develop, and that was the platform for them to advance. This experience also points to the focus on inclusion and management practices and the related question of whether we can have the same success in promoting staff from underrepresented regions to the B-level as we did for women. At the risk of sounding too simplistic,

much of this comes down to the question of focusing a great deal more on inclusion.

The Diversity Advisor (Ms. Younes) made the following statement:

It is a pleasure to be here. It is my second week on the job, so this discussion has given me much to do and think about. I was born in Canada and raised between the United States and Egypt, so I tell people that I am Canadian, American, Egyptian, or “Canyptian.” I look forward to bringing all the collective intelligence of this room and the Fund toward this issues of inclusion and diversity, because I believe the collective intelligence available here is tremendous, though perhaps not being leveraged as much as it could be, not only for the benefit of the staff of the Fund, but the overall mission of the Fund. That is a key driver for doing this work.

I will only address a few of the issues mentioned because I will come back to Directors, departments, and collaborate with HRD and across the organization, which is what I am looking forward to doing. The devil is in the details. In all of our leadership legacies at our time with the Fund, being champions for this change is important, whatever one’s circle of influence may be. It will not be just the work of the diversity department, or any one of us. This is a collective effort and our collective intelligence and influence is what will drive the change.

I would like to comment on two areas. One is the merit issue and it always comes up with a great amount of energy and passion. Women and people of different ethnicities and backgrounds do not want to be hired for anything other than merit, and people from more mainstream, majority groups are concerned that merit (an assumed current state) does not decrease.

With all the effort that we put into merit, I hope we can work together to put additional effort into looking at the bias and privilege that is the other side of the coin of merit, to make sure that we have a meritocracy. We need to be able to honestly hold up a mirror and ask ourselves a few questions. Do we have a true meritocracy and what does that mean behaviorally?

The other comment is around gender balance. When I say the word “gender” to any organization or group I have ever worked with, they immediately think of women. Gender means men and women, and there are benefits for women and men when better gender balance exists in the leadership of an organization in terms of insights and perspectives. As we move forward, talking about and realizing the importance of gender balance—

and in the Fund's case, it does mean hiring and advancing more women from all nationalities—means there are benefits to both men and women as well as for the Fund overall from having that gender balance.

I look forward to creating a leadership legacy with this group in which the next phase of diversity and inclusion moves forward, and not necessarily in a business as usual way as someone remarked. We need to work together to do some things differently. I hope the Board will give me that opportunity.

Mr. Geadah made the following statement:

I would like to follow-up on something important that Mr. Plant said, which related to looking at the reasons for the lack of midcareer hires from underrepresented regions. They go through the panel and pass the interview, but then are not taken up by departments. I am familiar with a number of these cases, and I see no reason why they were not taken up in terms of macroeconomic background, languages, skills, or financial sector knowledge.

But in the few cases where people are taken up by departments, they are offered jobs at levels that are much lower than what one would expect given their experience. The explanation given to me, for the case I am familiar with, is that there were many people at the A14, A15 level and the Fund did not want to add to it. Even though someone is qualified to be much more, that person remains at A13, and should not expect their career to progress beyond that, which is not an attractive proposition. It is key to look at midcareer hires, especially for the MENA region. That is a big part of the solution.

Mr. Hendrick made the following statement:

I congratulate the Chairman for her leadership in this effort for diversity. I welcome our new Diversity Advisor, and thank her and the team for the visits to the office, which were useful. I want to mention two points. The first is about inclusion and the culture. One may want to watch the video posted by the Communications Department on the intranet. One of the female staff members tells an interesting story. She said that her supervisor told her that he was sorry about her being pregnant. This is a reflection of the culture in several dimensions. Maybe this is something we need to work harder at.

The other point is something that we have discussed many times, but at the same time is very simple. There is a problem of stock and the efforts work on the flows to try to change the stock. The first annex of the document highlights the progress made by the Fund so far. Several years ago, when we

started the discussion on diversity, unfortunately there was no diversity in the institution. It takes a long time to achieve the goals we are rightfully trying hard to achieve. However, I want to be candid. After half a century, even after the efforts to increase diversity in the past few years, when one combines the staff at all levels from the European and transition economies, and the United States, these countries represent about 48 percent of the Fund's total staff. This figure is equivalent to 67 percent at the B-level. That is little reduction over the years. In half a century, the main structure has not changed; Europe, Western Europe, and the United States account for 48 percent of the total staff and two-thirds of the B-level.

There is nothing wrong with that. That is our starting point. That is the way it was before. The challenge is how to change this structure in the future, not to slowly replace those staff by attrition, by retirement. The point raised by Ms. Meyersson could be valuable, but there could also be an attempt, for the morale of the staff in the pipeline, to bid from the bottom up for future promotions, future recruitment, which could accelerate the process to catch up. Maybe we do not want to go all the way in that direction, maybe we want to increase the bias toward the underrepresented regions, but cannot totally bid from the bottom up because that will negatively affect the people who already dedicated themselves to the Fund and who are already here.

Mr. Field noted that the Fund might reconsider how it defined the skills necessary for staff members. He noted that the former Governor of the Bank of England, Mervyn King, did not have a PhD in economics, and that the Deputy Governor of the Bank of England, Jon Cunliffe, had a degree in literature. The Fund should consider redefining the skills it required of its staff, as it could create a bias in the staff that were hired.

Mr. Alshathri made the following statement:

I agree with Mr. Field's earlier comment about attendance of department heads at this meeting. It is disappointing that only one department head attended the meeting, it calls into question the commitment to diversity. If I compare this meeting to the employment framework meeting, there is a big difference in attendance. I am not sure if HRD invited them, but we need to look at this issue.

I am glad Mr. Cottarelli is now part of the Board. Until recently, he was a department director. He also repeated the same issues I hear from current heads of departments. It is a supply issue, and we are doing okay. I look forward to hearing Mr. Cottarelli's view next year when we discuss this report. I do not believe it is a supply issue at all. We worked with HRD in

helping them to identify people. People passed panels and they have still not been hired—this is an issue raised by Ms. Kapwepwe and Mr. Geadah.

Mr. Plant notes that the pipeline is diverse, but there is always a problem of hiring them. Is it a question of HRD choosing the wrong people, or is it department heads who wants to take the decisions by themselves? Or is it the process between HRD and the departments? This is an issue we have to look at.

We are not asking for much. We are asking to achieve a benchmark that we set for ourselves in 2003, and we still have not achieved that. It is not an issue for one year or two years, it has been more than 10 years. Now we are setting the same benchmark for 2020. We are not asking for a big overhaul of the benchmarks, and in this regard, I agree with that the Chairman that we have to be realistic. Our chair is not in favor of an overhaul of the governance of the Fund or even its diversity. We are asking for consistent progress in achieving our benchmarks and to limit the disparity between overrepresented and underrepresented regions. If we continue with this benchmark, without having at least a ceiling on the hiring of the people from overrepresented regions, there is no guarantee that this gap will not increase. It is an important issue that we have to address, because there is limited hiring from underrepresented regions and there is increased hiring from overrepresented regions, from all channels, including midcareers and EPs.

The last issue is educational and gender diversity. We are supportive of both educational and gender diversity, as long as it does not undermine regional diversity. As long as gender and educational diversity are not the reasons for hiring more staff from overrepresented regions at the expense of hiring from underrepresented regions, we are fine with it.

Mr. Cottarelli made the following statement:

On educational diversity, I do not have a PhD. That being said, I am not sure I understand the point Mr. Field was making. Was he suggesting that we should start searching for graduates in English literature? There are exceptions, but in general terms, if we are a macroeconomic institution, we are looking for macro economists.

I believe there is a serious supply-side issue. Having seen things from the inside of the institution, it seems that there are many difficulties in finding a good candidate from a diverse area. I was able to find some when I was in the Fiscal Affairs Department, but sometimes that was not possible. This

difficulty is also demonstrated by the composition of this Board in terms of gender. There is one woman out of 24 chairs. There is difficulty on the side of our authorities in finding diverse candidates, otherwise the composition of the Board would be different. That is a joke.

The Chairman made the following concluding statement:

It is not a joke. It is part of the DNA.

I thank Directors for taking an interest in the matter. I would observe that 100 percent of the female Executive Directors on the Board have attended throughout the session. All female Executive Directors and Alternates attended this Board meeting, which is only 28 percent, if one includes both Directors and Alternates. I thank the five male Directors, out of 23, who have attended this entire session. I would join the comments of Mr. Field and Mr. Alshathri. I mentioned to my chief of staff that I was shocked to see only one head of department attending this session, and it so happens that I have a meeting this afternoon, and that will be the first point of order that we will discuss. I will ask why they did not attend this meeting, which is critical not so much for what the paper says, but for what it says about how much heads of departments care about the issue and what solutions and alternative ways of thinking can be part of their consideration.

I personally care greatly about diversity and inclusion—not just gender, both male and female, but also underrepresented regions, educational and cultural background, and I will continue to speak up for this issue. That is the reason why the next Deputy Managing Director to be hired will be female. The announcement will be made in a few weeks. Of the three candidates who are being considered, two are waiting to see whether they are joining their respective governments and whether they are available.

There will be two female members in the management team, as opposed to none in 2008. Ms. Meyersson is right that in 2008 there were four female heads of department, and there are currently four. That is precisely because they are a rare species, and they were raided, one by the White House, and one by the Canadian authorities. It is unfortunate, and I did manage to replace those two, and I hope to do better in the future, as far as heads of department are concerned. We definitely have a supply issue at that level, because I make a point of trying to have a bit of a bias when it comes to the recruitment in which I am involved in order to make sure that we have better representation in terms of gender and underrepresented countries.

One point has been identified by several Directors and we will pursue it. That is the issue that some have called more corporate engagement, which is another way to say that hiring decisions have to be more influenced by the center. While it will be perceived as countercultural in this institution, if we want to make progress along the lines of the benchmarks that have been set, there is no option but to do that. It will bring a smile to Mr. Cottarelli's face, because he has been there, seen it, and I can appreciate the pushback that we will get, but it is the price we pay to make progress.

Mr. Cottarelli noted that at equal skill levels, a diverse candidate is going to be of higher quality than a non-diverse person. We need to take that into account to identify the potential candidates for recruitment.

The following summing up was issued:

Directors appreciated the opportunity to discuss the FY 2014 Diversity and Inclusion Annual Report. They acknowledged that important steps have been taken in the Fund in recent years to improve diversity and inclusion, which are crucial for the effectiveness of the institution. Directors noted, however, that progress has been uneven and in some instances slow and more needs to be done to achieve a more balanced representation of the staff reflecting the Fund's broad membership.

Directors welcomed improvement in the representation of women in managerial grades and in the share of staff from some underrepresented regions. They were disappointed, however, that eight of the eleven quantitative benchmarks have not been met by the target date of 2014. Many Directors called for further analysis and a deeper discussion of the factors constraining progress towards these targets. A few Directors suggested that a panel of external experts be tasked to look into this issue.

Directors considered the new 2020 benchmarks proposed by the Diversity Working Group, and welcomed the strategic focus of these benchmarks. A number of Directors felt that the new benchmarks were not sufficiently ambitious to raise staff representation from underrepresented regions, especially at managerial levels. Directors agreed that particular attention should be given to the areas where progress has been slow and, in this regard, adding recruitment benchmarks for Africa and the Middle East is a step in the right direction. A number of Directors stressed the need to consider intraregional diversity, as many member countries, in particular small countries, are underrepresented regardless of the region they belong to. A few Directors, while noting the good progress made in Transition

Economies in recent years, would have preferred to retain the diversity benchmarks for these countries going forward, especially at managerial levels, where progress has been limited. Directors generally appreciated the information on secondary nationalities and agreed that it should continue to be reported.

Directors considered that, while regional and gender diversity remain the primary focus, other aspects of diversity, particularly education, are also important. They welcomed the steady increase of Economist Program appointments with advanced academic degrees from universities outside the United States and the United Kingdom, but noted that the educational profile of Fund staff as a whole has not changed markedly in the past few years, with most staff having received their education in either of those two countries. While recognizing that more than three-quarters of Fund staff holding advanced academic degrees from U.S. universities are nationals of other countries, many Directors encouraged further efforts to diversify recruitment and outreach beyond major U.S. campuses. A few Directors recommended that these efforts be supported by the establishment of benchmarks on educational diversity. Some Directors felt that other dimensions of diversity, including language skills relevant for the Fund's work, cultural backgrounds, and a consistent use of flexible work arrangements and incentives to help young families, should also be considered.

Directors emphasized the importance of a concrete action plan to achieve the new benchmarks by 2020. They welcomed the appointment of the new Diversity Advisor and the consideration by the Diversity Council of all the other recommendations put forward by the Diversity Working Group. Directors welcomed the proposal to strengthen institutional oversight for mid-career hiring and stressed the importance of management's involvement. They considered that the institutional panel to oversee conversion decisions under the new Categories of Employment framework would be helpful in this context. Directors highlighted the need for greater focus on career progression and retention of staff from underrepresented regions. A few Directors recommended setting up intermediate diversity targets and mid-year progress reports.

Directors acknowledged the steps being taken to implement the Inclusion Action Plan and encouraged further efforts to create a more inclusive work environment where all voices and views can be heard. In this context, many Directors underscored the importance of building on the progress made thus far to further improve the managerial and cultural environment and give all staff equal opportunities to contribute and grow. A

few Directors suggested shifting the staff survey to an annual frequency to track more closely staff perceptions.

Directors agreed that the Fund's diversity and inclusion efforts should be fully integrated into HR policies and practices and that the Diversity Scorecard and the accountability framework for senior managers, Department Heads in particular, should help achieve the diversity and inclusion objectives, with some Directors calling for even stronger accountability. Directors encouraged taking advantage of the opportunity provided by the on-going leadership development initiative to further support the diversity and inclusion strategy.

APPROVAL: June 8, 2015

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 see an overall improvement in diversity, but perhaps far less rapid than had been targeted. The question that this raises is whether the 2014 geographic and gender benchmarks were too ambitious. Could staff comment?*
2. *We wonder if the targets were too ambitious (on purpose), or if unexpected challenges were met in the efforts to achieve these benchmarks.*
 - The benchmarks for 2014 were intended to be ambitious yet realistic. The base for the benchmarks were financial quotas and level of engagement in the region, which were then adjusted for a realistic achievement based on several assumptions pertaining to supply, promotion, hiring and turnover rates.
 - Shortfalls against the A9-B5 benchmarks for sub-Saharan Africa and MENA+ were attributed to slow recruitment rather than any additional unforeseen development such as unexpected movements in separation rates.
 - The actual outcome of B-level benchmark attainment in part reflected an increase in B-level positions that was not envisaged when the benchmarks were set. At an aggregate level, appointments—both from hiring and promotions—of staff to the B-level from underrepresented regions were in line with the assumptions made when these benchmarks were set in 2008, but fell short of the benchmark due to increased overall B-level positions.
 - The benchmarks for women at the B-level were set in 2011 assuming that the promotion rates for men and women would be equal. While the promotion rates for women from A15 to the B-level exceed that for men, this outcome was partly offset by a slower pace of external hiring for women than expected when the benchmark was set.
3. *We would request the Diversity Office to clarify whether there is a need to assess diversity of contractual and A1-A8 employees also.*
 - Contractual employees were excluded from the diversity benchmarks because of the temporary nature of their appointments, while support staff were excluded in order to focus the diversity efforts on managerial and professional grades given that support staff are primarily recruited locally.

Information on contractual employees and support staff (staff at the A1-A8 levels) are nonetheless reported because they complement the information on the diversity of

professional and managerial staff in reflecting the richness of diversity at the Fund. A1-A8 staff can be part of the pipeline to A9-B5 positions, as support staff are eligible for promotion to professional grades. Given that many contractual employees have been appointed to staff positions, the report's section on mid-career hires discusses the issue.

4. *The share of mid-professional/B-level women hired and underrepresented regional groups have declined while hiring EP women has been difficult. We appreciate staff's elaboration on the causes and remedial actions for FY2015.*

- The share of underrepresented nationals hired through the mid-career level was affected by the large number of appointments of former contractual employees (especially headquarters based fiscal and financial sector experts, predominantly male). In addition, the tight staffing budget situation also led to a considerable slowdown of hiring of external candidates who are mostly diverse from the mid-career pipeline.

5. *We note with concern the sizeable drop in women and East Asian appointments through the mid career channel relative to the previous year. Could staff elaborate on the underlying reasons for this?*

- Though the overall hiring numbers for East Asian mid-career appointments showed a decline, it was still the highest rate for all underrepresented regions (15 percent). This upward trend was also recorded for the EP appointment with East Asia recording approximately 36 percent of the total EP intake.

6. *The staff's clarification on the current process vis-à-vis the proposed changes to mid career hiring would be helpful.*

- HRD plays a central role in screening, assessing, and supplying a pipeline of qualified diverse candidates to hiring departments who have the responsibility for delivering the Fund's core work. Hiring departments retain final authority for the hiring of specific individuals. The current recruitment approach guarantees a robust pipeline of candidates; in FY2014, 40 midcareer staff were hired from the pipeline and 21 (53 percent) were from underrepresented regions. The changes proposed by the Diversity Working Group for greater institutional oversight for midcareer hires will be further discussed along with their other recommendations with the Diversity Council.

7. *We encourage staff's broadening the pool of universities in South America and Spain for EP recruitment missions and coordinate support with ED offices (Annex XIV). The staff's elaboration is welcome.*

- The Fund's EP recruitment strategy is open to receiving applicants and hiring from all universities worldwide. Actual campus visits to leading universities in the field of economics, combines the goals of technical excellence and under-representation by

region. Over the past three years we have broadened visits to be more inclusive and continue to evaluate new opportunities. For South America, there was a recruitment mission at the end of FY2014 that visited four universities in Mexico and Brazil—Instituto Tecnológico Autónomo de México—ITAM, Centro de Investigación y Docencia Económicas—CIDE, Getulio Vargas Foundation—FGV and University of São Paulo. In Spain, a mission visited Universidad Pompeu Fabra.

8. *We urge staff to deepen their understanding of labor markets in different member countries and to continue their recruitment missions on an annual and global basis. The staff's comments are welcome.*

- The staff plans to continue their recruitment outreach efforts with annual recruitment missions to underrepresented regions, including the enhanced use of social media and other alternative and emerging talent sourcing strategies to identify top underrepresented candidates.

9. *It would be urgently important for the Fund to expand the target of EP recruitment beyond macroeconomics discipline and PhD holders. The staff's comments would be appreciated.*

- The Fund's hiring needs continue to evolve in terms of the skills requirement to meet its current and emerging business needs. While the emphasis on macroeconomics remains for core work, requirements are being broadened to include candidates with macro-financial skills as well as skills in other areas of work in which the Fund has increasingly been called upon to take a lead.

10. *Could staff clarify what caused the significant decline in interest from women applicants to the Economist Program (EP) this year?*

- There are several factors attributed to the gender imbalance among economists. According to the American Economic Association, the overall pool of women entering Economics PhD programs during 2005–2012 was under 35 percent, which remained the same in 2013. Of this number, a smaller percentage of women are present in macroeconomics and fields relevant to the IMF's work. This is further evidenced in schools visited, where there were very few women in the job market. Strong competition for women talent generally, and specifically from academia, has resulted in an EP rejection rate of 36 percent for the CY2014 class. Women comprised 30 percent of the candidates who rejected EP offers.

11. *When is gender parity expected to be reached in categories A9-B5 given the current turnover rates and 50 percent recruitment rates?*

- Projections depend on several factors, including headcount level, turnover rates for men and women, promotion rate of A1-A8 to fill A9 vacancies and women external hiring ratio. Assuming a stable headcount level in the long run, gender balance in

annual recruitment and a turnover rate of 5 percent, full gender parity at A9-B5 may not be attained for 20 years or more.

12. *The staff report notes that the drop in the gender diversity can be explained by a relatively small pool of mid-career female applicants. At the same time, it proposes the gender diversity benchmark of 50 percent. Do these two points, a small pool of candidates and the proposed benchmark, make sense together?*

- The Fund aspires to reach gender parity and recognizes the need for having a recruitment target for women to guide progress to this longer term objective. However, past experience suggests that annual fluctuations in the gender balance of hiring are to be expected, in part reflecting variations in the skill mixes that are sought in mid-career hiring and limitations on the size of the hiring pool.
- Additionally, the 50 percent share of A09–B05 recruitment for women is an overall institutional target that covers all career streams. The small pool of women candidates relates to the economist career stream only, with the specialized career stream going some way in compensating for the shortfall. The staff continues to strengthen their effort at identifying and attracting suitable women talent from the small pool of economist candidates both in the EP and mid-career routes respectively.

13. *Could staff provide an update on the progress on the study of salary equity and career progression?*

- The study was conducted by an external consultant and was overseen by a gender-balanced steering committee of seven members that included economists and Specialized Career Stream staff from several underrepresented regions and a representative of the SAC. The methodology was reviewed by the steering committee and some B level economists. The preliminary findings were presented to various stakeholders including SAC, the Diversity Council, the Diversity Working Group chairs, SPMs, etc., in July 2014, who requested additional analysis. The complete report was recently received and will be shared on the intranet in the coming weeks.

14. *Could staff please outline if there are any initiatives to improve the representation of small states?*

- With respect to recruitment of nationals of small states, the Fund's recruitment missions and mid-career advertisements offers broad opportunity to nationals of member countries to compete for suitable positions in the Fund. While recruitment missions to underrepresented regions with small states are carried out using the larger countries as hubs, efforts are taken to ensure that small states are covered. Use of social media will also be important in reaching out to candidates in small states.

15. *It is unfortunate that there have been no EP recruitment missions last year to one of the most underrepresented regions—Africa. Comments are welcome.*

- While not reflected in Annex XIV, which reflects information by calendar year, the recruitment mission to Africa in FY 2014 (March 2014) visited **seven** universities in Ethiopia, Senegal and South Africa—Universities of Addis Ababa, Dakar, Cape Town, Stellenbosch, Johannesburg, Pretoria and Witwatersrand.

16. *Could staff elaborate on the reasons for the predominance of short-term appointments in the East Asia group of employees?*

17. *Noting the relatively high separation rate for East Asian staff, we encourage staff to elaborate on the reasons behind the high rate, as well as measures that can be taken to address this issue.*

- The high rate of separation of East Asian staff was driven primarily by the expiration of appointments of public officials on secondment to the Fund who are replaced every 2–3 years by candidates from their home governments. The secondees are primarily economists at the A and B levels and secondees returning to their home country institution accounted for 60 percent of the separating economists.
- The contractual appointments of East Asian nationals reflect the Fund’s specific focus on recruitment of under-represented groups, especially for the East Asian group. The bulk of these appointments cover public sector officials hired into the new Externally Financed Appointee (EFA) program, Fund interns, as well as Research Assistants who tend to also be students.

18. *We welcome staff’s further elaboration on the basis of creating a regional group for FY 2020 benchmark focusing on East Asia and also safeguard measures for outreaching underrepresented countries.*

- A benchmark for East Asia was established for the first time in 2008. This step was taken, with a benchmark set for 2014, in recognition that the East Asia countries were identified in past diversity reports as among the most underrepresented on the Fund staff. The country grouping used in setting the 2014 benchmark has been applied again for the 2020 benchmarks.
- We recognize that individual countries are underrepresented even within East Asia as a region and therefore outreach will be broadened beyond the large economies in East Asia, including leading universities in the smaller economies.

Career Development and Promotions

19. *We would request the Diversity Office to inform us if there were any special reasons for the very low rate of promotion from A15 to B1 of individuals from underrepresented regions in FY2014.*

- There were no special reasons attributable for the low rate of promotion.
- Typically, macroeconomist promotions to B1 are from the Review Committee (RC) List. Therefore, HRD and the Review Committee ensure that a diverse pool of the most competitive macroeconomists who are ready to fill projected B-level vacancies are included on the List. In the 2013 RC List, 10 out of the 29 (34 percent) staff were from underrepresented regions. Although, during FY2014, only one of the 10 staff from underrepresented region was promoted, in FY2015, an additional five underrepresented staff have been promoted.
- Pertaining to specialist economists and Specialized Career Stream staff, HRD and the Review Committee enforce the diversity requirement for all positions advertised at Grades A15–B3, i.e., the final shortlist should include a woman or staff from underrepresented region, and where selections do not meet this requirement, departments are required to re-advertise internally and/or externally in order to attract qualified underrepresented candidates. Waiver to this requirement can only be granted by management after departments demonstrate that a sufficient effort has been made to seek underrepresented candidates and a business case for seeking a waiver.
- With these concerted efforts, there has been a relative increase in the selection of diverse candidates; however, it is also well noted that the institution as a whole should continue to support underrepresented staff in grooming them for higher-level positions. To this end, the Diversity Office has recently launched a group mentoring program for staff from underrepresented regions, particularly, from Sub-Saharan Africa and the MENA+ regions.

Beyond Geographical and Gender Diversity

20. *We would like staff's comments on the strategy to expand dimensionality, including family composition, age, disability, religion, ethnicity and sexual orientation (paragraph 34). The staff's elaboration on management concerns on retaining Gen Y is appreciated.*

- The Fund's diversity strategy encompasses regional and gender benchmarks and recruitment efforts are focused on areas of shortfall in these two dimensions. However, the Fund's recruitment strategy aims to recruit the best candidates from across the world irrespective of their family composition, age, religion, race etc. and Fund is committed to creating an inclusive environment where staff from different backgrounds and orientations feel comfortable to contribute and share their ideas as

noted in the Diversity and Inclusion statement: “*we welcome the wide range of experiences and viewpoints that employees bring to the Fund, including those based on nationality, gender, culture, educational and professional backgrounds, race, ethnicity, sexual orientation, gender identity and expression, disability, and age differences, job classification and religion.*”

- The Diversity Office has launched a study on the inclusion of young professionals to better understand recruitment and retention issues of Gen Y professionals. The results will be reported in the next Diversity and Inclusion Annual Report.

21. *We are convinced that the introduction of a (soft) benchmark measuring educational diversity might bring additional value to the Fund’s diversity and inclusion strategy. The staff’s comments are welcome.*

22. *It is unfortunate that the DWG did not propose any benchmark or concrete actions to improve the educational diversity—or is it still possible?*

- We agree that increased educational diversity can bring added value to the Fund’s quality of advice to country officials. Recognizing this, educational diversity has been monitored for the last years and included in the Diversity and Inclusion Annual Report. The recruitment missions have reached out to more universities outside the United States, and EP recruitment from universities outside the United States and Canada has increased from 45 percent in 2011 to 61 percent in 2014.
- In order to focus on a few benchmarks where progress has been less, educational diversity benchmarks were not included. However, it is an integral part of HRD’s recruitment strategy.

23. *Favorable conditions for families might also allow women more successful career advancement in the Fund, improving perspectives to be promoted towards the underrepresented B-level positions by women. Staff’s comments are welcome.*

24. *We welcome staff to comment on whether there is scope to improve part-time work arrangements or family benefits as a means of promoting gender diversity and improving opportunities to combine professional ambitions with family responsibilities.*

- The Fund has a range of benefits that support younger staff with families, including flexible working hours, tele-work, medical coverage, maternity and paternity leave and a subsidized childcare center located in HQ1. The Fund also works closely with the U.S. Department of State in seeking work authorization for spouses, and also supports G5 visa requests facilitating the provision of non-U.S. domestic help, predominantly nannies and housekeepers. In addition, the rules of the Staff Retirement Plan (SRP) are supportive of working part-time for family reasons, since these periods of reduced time continue to accrue full-time service benefits in the SRP. Finally, the Fund is embarking on a review of staff benefits in the coming months that will include, inter alia, family benefits.

25. Do staff expect that greater outreach efforts to non-Anglo-Saxon universities or openness to other disciplinary backgrounds than economics should materially change the educational make-up of the Fund work force over time?

- In determining the range of universities for visits, the Fund's recruitment strategy combines the goals of technical excellence (based on global rankings of economics departments) and international composition of the student body. Top ranked non-Anglo-Saxon schools, including schools in underrepresented regions, are visited during recruitment missions to those regions. We have had some successes with this approach and will continue to build upon it. We are increasing our outreach to other universities, while we continue to ensure that technical excellence is maintained.
- The change in recruitment strategy will take a few years to materially change the educational make-up of the Fund work force as the current stock of staff predominantly acquired their degrees from U.S. and U.K. universities.
- The composition of the degrees will depend on the strategic business needs of the Fund.

Diversity Benchmarks

26. Is the failure to meet benchmarks a result of the shortcomings in our policies or processes, or rather the reflection of challenges posed by the "culture" of the institution?

- The Diversity Working Group's analysis of the reasons for the shortfall against the benchmarks, and their related recommendations, suggests that both processes and institutional culture have played a role in the shortfalls. Some of these process issues have been addressed in the Working Group's recommendation to support greater diversity in hiring. The staff survey results reveal the cultural challenges faced by staff, especially those from certain underrepresented regions, who feel less included. In this context, the cultural shift that has led to stronger rates of promotion in recent years for women to the B-level, due to better access to high visibility assignments and other development opportunities, point to the potential of extending these positive changes for other underrepresented staff.

27. We welcome staff's explanation on how the new benchmarks were decided and whether this would be subject to the Board's approval.

- This question referred to the East Asia benchmark for 2020.
- As background information, the East Asia A9-B5 benchmark for 2014 was set below the quota share at the time as an interim measure recognizing that, although faster progress was desirable, it would not be feasible. The benchmark of 12 percent, which called for over a three percentage point increase in the share of staff from the

region—much larger than for any other region—was very nearly met at end 2014. Recruitment was strong, but the rate of separations remained higher than for other regions reflecting a tendency for staff to leave at the end of an initial appointment period. Benchmarks for 2020 have again been guided by quota shares. However reaching the region's quota share after the 14th review of 18.8 percent would have implied an even sharper increase in staffing from the region than seen in the last 5 years and thus would have required an unrealistically high level of recruitment from the region. Although the benchmark is ambitious it was again set as an interim realistic measure to guide progress. On a related point, the Working Group did not recommend a benchmark on recruitment from East Asia, recognizing that attention needs to be focused on addressing the higher separation rate which is also key to establishing a stronger pipeline of staff for possible promotion to managerial levels.

- In line with the established practice since benchmarks were first introduced, the benchmarks recommended by the Working Group were considered by the Diversity Council and have been approved by management.

28. Some of the benchmarks including the benchmark for B-level staff from East Asia remain far below relative to the share of quota in the Fund. We welcome staff's comment in this regard.

- Although the benchmark for staff from East Asia at A9-B5 was missed by only a small margin, and the share of staff from the region has risen considerably, this has not translated into the development of a corresponding pipeline for promotion to managerial levels. While the reasons for this are not fully understood, the higher rates of separation from the Fund at the end of an initial term of appointment have been an important barrier to development of the pipeline. Stronger efforts are also needed to provide an inclusive environment in which staff from all backgrounds and cultures can reach their full potential. However, in seeking to balance the necessity of ambitious targets to guide these changes with a broad sense of what is feasible, the benchmarks need to take account of the existing pipeline. The pipeline of staff from East Asia constrains the progress that can be made in the next 6 years. Even with concerted recruitment efforts it will be challenging to meet the increase in the new benchmark of 8 percent from base of 5 percent at the end of FY2014.

29. While the 2014 B-level benchmark for transition economies was set at 4.0, the current level is only 2.1. We see merit in keeping this benchmark. Comments are welcome.

- The benchmark on staffing at the A9-B5 level from transition economies was met through strong recruitment from these countries. At the same time, and aided by a relatively low separation rate for staff from the region, there has been significantly faster progress in building a pipeline of staff for possible promotion to the B-level than seen for other underrepresented regions. Over the last five years, staff from the transition economies accounted for the bulk of the net increase in the number of staff at A15 from the four underrepresented regions. Similarly, the transition economies now account for over 9 percent of staff at the A14 level, suggesting that the existing

pipeline at A15 is also likely to strengthen further over the horizon of the new benchmarks. Thus, although the 2014 B-level benchmark was not attained, these recent developments point to very good prospects for increased representation at the B-level from the transition economies in the next five years. This progress may also be aided by the gender composition of the pipeline; in contrast to the other underrepresented regions, more than half of the A15 staff from transition economies are female, and thus progress towards the B-level female benchmarks could also support high representation from the transition economies. Against this background, and in line with focusing benchmarks where they are most needed to guide progress over the medium term, the Working Group recommended and management endorsed the discontinuation of this benchmark.

Inclusion

- 30. *What concrete actions have been taken to foster an inclusive environment at all levels of the staff? What are the main challenges that HRD and the Diversity Office envisage to achieve this goal?***
 - 31. *Can staff set out their plans to address inclusion in more detail including to what timeline? Which of the recommendations from the working group report will be taken forward? Can staff look at expanding the accountability framework to look at inclusion in more detail? Can staff report back on progress against these issues in future reports?***
 - 32. *The 2013 staff survey yielded a 58 to 18 percent favorable rating on inclusion, although unfavorable neutral answers signal a large number of Fund staff feeling excluded. The staff's comments including remedial actions are welcome.***
 - 33. *The Diversity Working Group also emphasized the importance of addressing "soft" working environment matters, and proposed concrete short-term measures to support inclusion. Could staff comment on the process and timeline for their implementation?***
 - 34. *What else could be done, or what can be done differently to be more successful with improving management and the inclusive culture in the Fund? Staff's comments would be appreciated.***
- Inclusion has received substantial attention in the Fund over the last two years, starting with the revision of the diversity statement in 2012 that incorporated inclusion as an important element of Fund's diversity strategy. Key developments include: establishing a measure of inclusion in the staff survey (2013), adding inclusion survey results in the people indicators section of the Accountability Framework (2013), incorporating inclusion in the recently rolled-out leadership development framework (a set of responsibilities and competencies for managerial grades), introducing cross-cultural competency assessment and training (2014), introducing a new group mentoring program to address issues of inclusion (FY15), and commissioning a salary and career progression equity study by an external

consultant (FY15). Furthermore, departmental HR teams and Diversity Reference Groups (DRGs) have been addressing inclusion at the departmental level since the 2013 staff survey.

- Recognizing that more needs to be done to strengthen inclusion, the Diversity Working Group has emphasized the “Diversity +” strategy. Their recommendations on further strengthening inclusion will be discussed by the Diversity Council, with guidance from Ms. Younes, the new Diversity Advisor and in consultation with departments. This is expected to yield a strategic framework for inclusion, and concrete action plans to create an inclusive work environment (expected during FY2016). Greater inclusion requires shifting the organizational culture, which will take time to change. Leadership focus on the issue is key to creating such a culture and we are confident that the measures initiated and those to be proposed, will speed the progress towards the desired cultural shift.

35. In the absence of an annual survey, can staff explain how they would collect sufficient information on changes to perceptions of inclusion? How will staff measure success in ensuring management behaviors change to meet diversity requirements?

- In addition to periodical staff surveys, work is underway to devolve accountability for these and other indicators to the divisional level. In addition, two manager-specific behavioral instruments are being introduced in FY2015. The first, a 360 feedback tool will provide feedback to managers on a range of leadership competencies, including competencies on promoting an inclusive environment. The second instrument will provide input to each manager’s performance assessment from direct reports on a set of key behaviors. These tools will serve to strengthen feedback to managers which, coupled with enhanced training and support, is expected to improve management behaviors.

36. Is there a coherent Fund-wide approach to harness department level efforts and deliver clear and consistent messaging so that inclusion can be rooted in the Fund culture and staff’s mind?

- At the departmental level, a number of initiatives are undertaken by the departmental Diversity Reference Groups (DRGs) to promote diversity and inclusion within their department. The Diversity Office meets with the DRG Chairs and Co-Chairs on a monthly basis to share best practices, encourage cross-departmental collaboration, and provide support to DRGs on these initiatives.



2014 Annual Report on **Diversity and Inclusion**

November 19, 2014

Highlights

- **Diversity Benchmarks:**
 - Achievements since 2003 and looking ahead to 2020
- **FY2014 Results**
- **Inclusion Efforts Thus Far**
- **Next Steps**

History of Benchmarks

- | | |
|-------------|--|
| 2003 | 2008 benchmarks introduced for B-level Women, and A9-B5 Sub-Saharan Africa, MENA+ and Transition Countries |
| 2008 | New 2014 benchmarks introduced for East Asia and B-Level underrepresented regions; originals extended |
| 2011 | Revised benchmarks for B level women and introduced recruitment benchmarks for A9-B5 women |
| 2014 | New 2020 benchmarks |

Benchmarks are set on the basis of Financial Quota, adjusted for:

- Level of Fund's engagement in the region
- Achievability projections

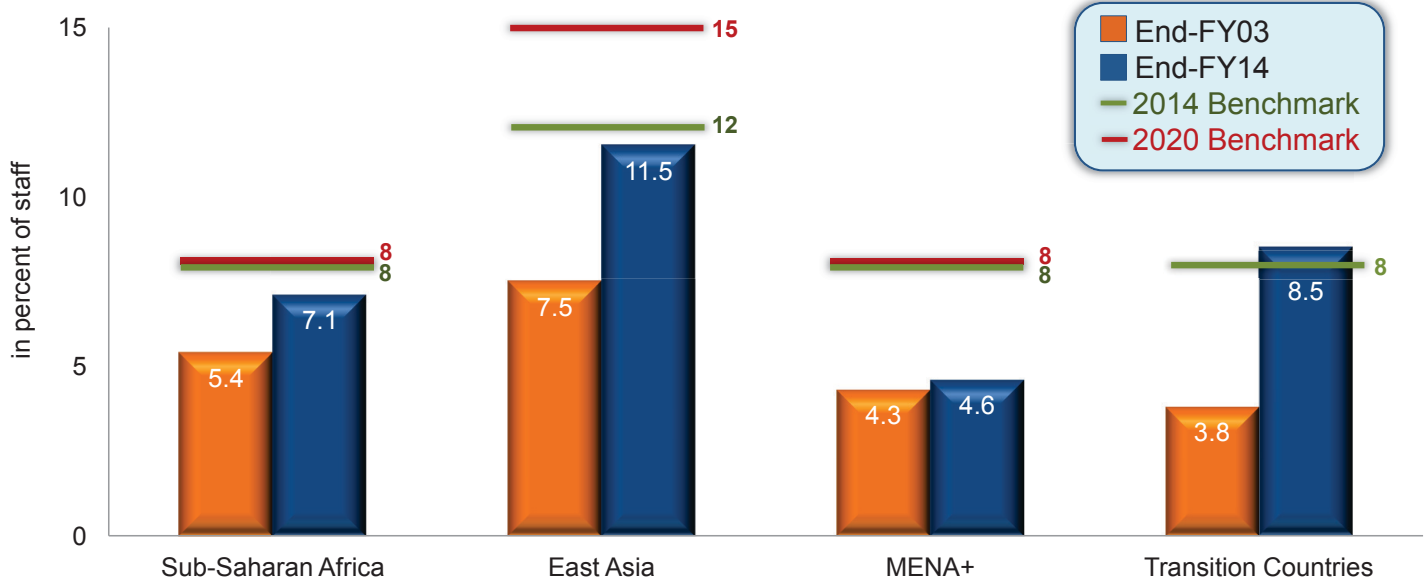
Achievements 2003-2014

A9-B5 Staff from Underrepresented Regions: **21% to 32%**

B-Level Women: **15% to 24%**

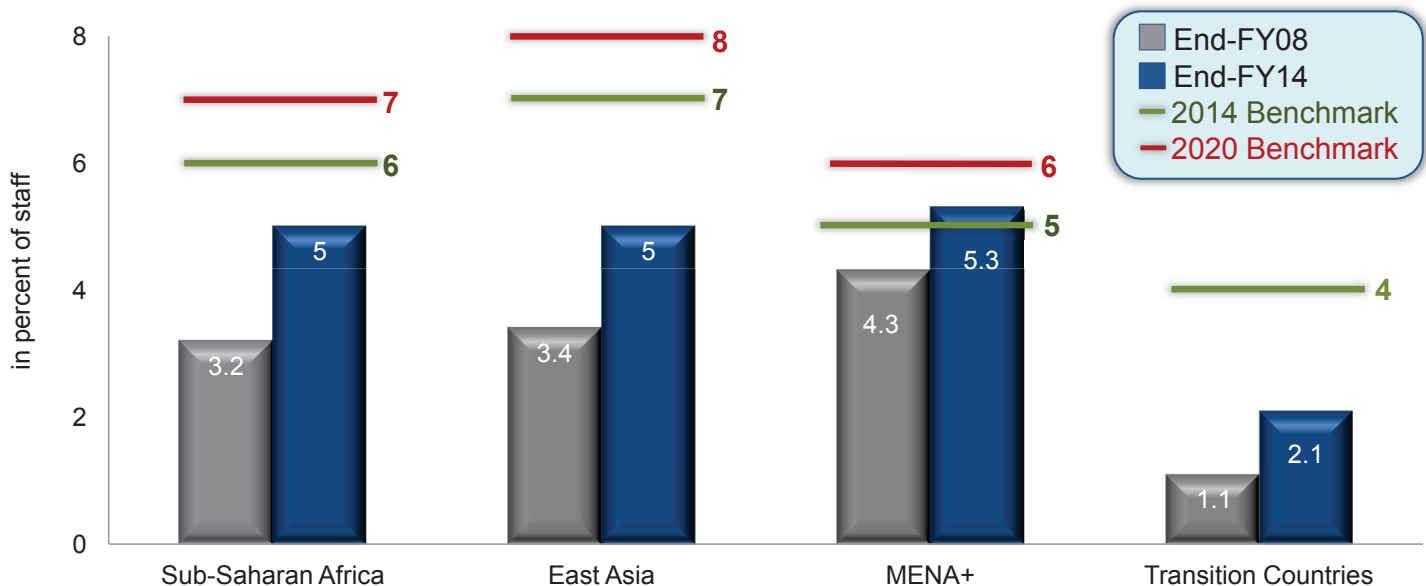
Progress Towards the Benchmarks

Underrepresented Regions: A9-B5



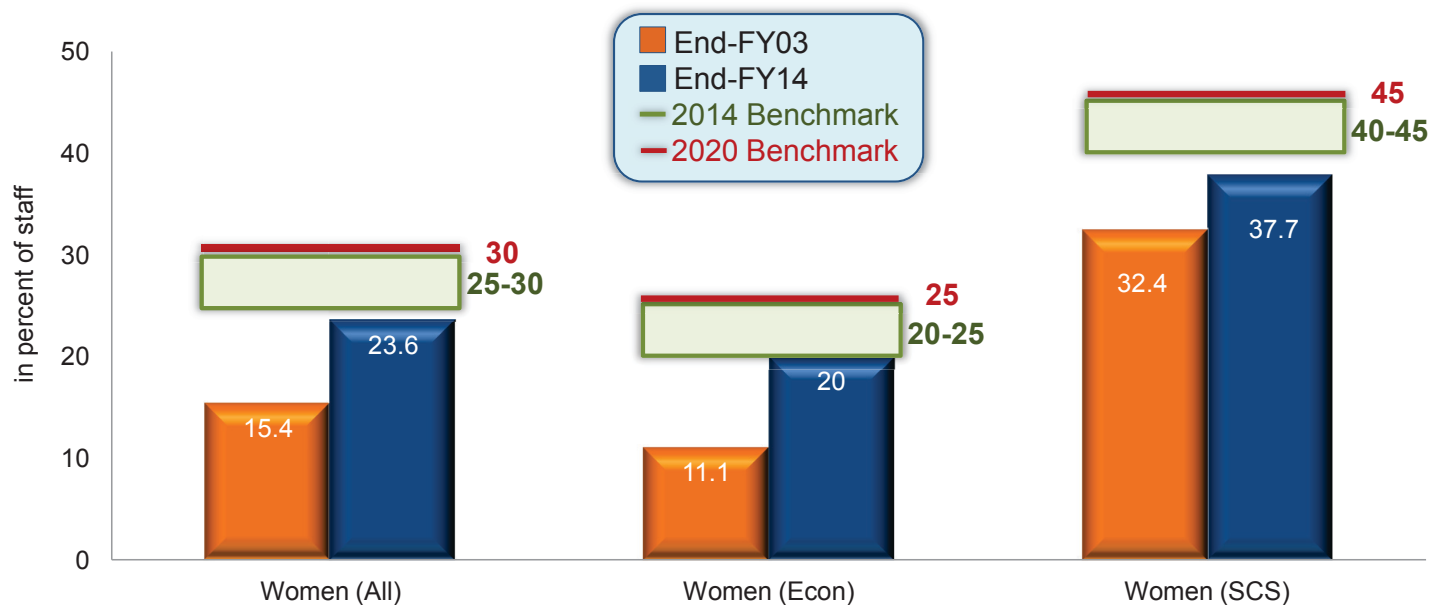
Progress Towards the Benchmarks

Underrepresented Regions: B-Level



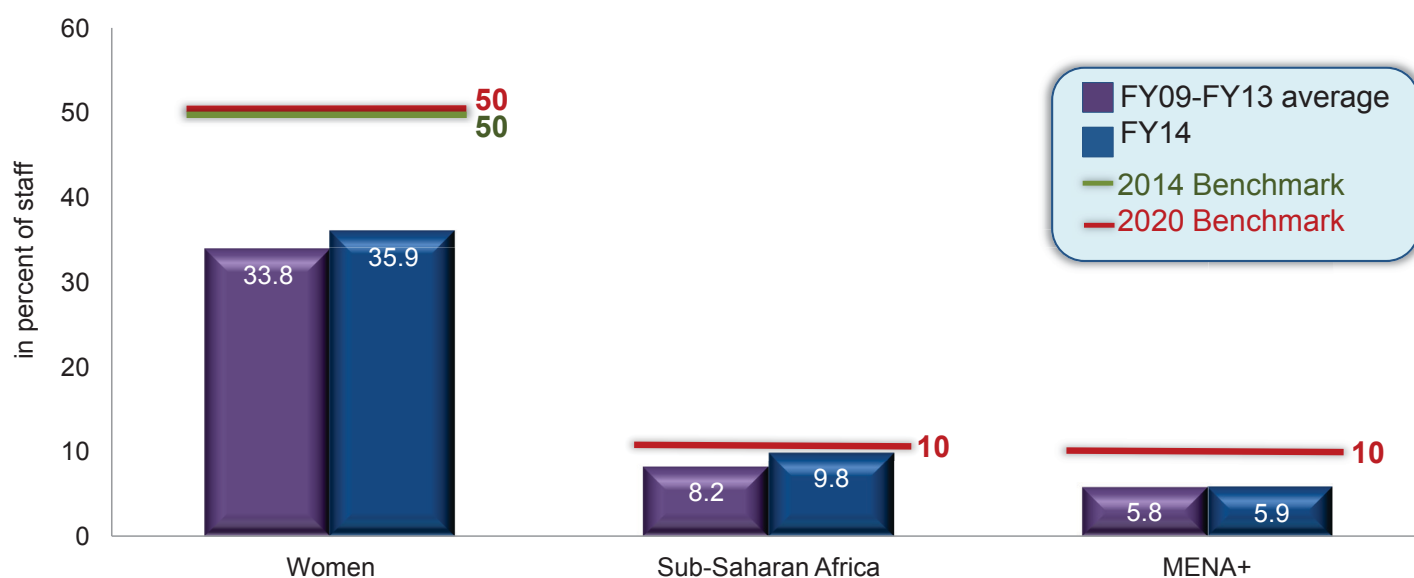
Progress Towards the Benchmarks

B-Level Women



Recruitment Benchmarks

Gender and Region: A9-B5



2020 Benchmarks: Major Changes

- **Transition country benchmarks discontinued**
 - Met A9-B5 benchmarks and strong pipeline for B-level
 - Focus on few where progress is most needed
- **Recruitment benchmarks introduced for Sub-Saharan Africa and MENA+**
- **Benchmarks coupled with increased focus on inclusion**

2014 Results

- Limited promotion pipeline for AFR, MENA+
- Lower promotions to B-level for URR staff
- Decline of women hiring in EP
- Decline in mid-career women hiring



- Promotion of women
- B-level diversity hiring program
- Increased recruitment missions
- Increased educational diversity
- Accountability Framework diversity and inclusion indicators



Inclusion Initiatives in FY14

- **Inclusion Index introduced in Accountability Framework**
- **Cross-cultural competence assessments and training**
- **Group mentoring program**
- **Salary and Promotion Equity Study**



Next Steps

- **Review other recommendations of Diversity Working Group**
- **Greater integration of inclusion and diversity into key HR and other relevant policies and practices**
- **Develop inclusion and diversity strategy to make progress against 2020 benchmarks and positively impact culture of inclusion**

