

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 91/105

3:00 p.m., July 31, 1991

R. D. Erb, Acting Chairman

Executive Directors

C. S. Clark

B. Goos

J. E. Ismael

A. Mirakhor

L. B. Monyake

G. A. Posthumus

C. V. Santos

Alternate Executive Directors

A. A. Al-Tuwaijri

L. E. N. Fernando

Zhang Z.

S. B. Creane, Temporary

J. Prader

G. H. Spencer

N. Kyriazidis

M. B. Chatah, Temporary

I. Fridriksson

F. A. Quirós, Temporary

J.-F. Cirelli

P. Wright

R. Marino

A. G. Zoccali

N. Tabata

K. Ishikura, Temporary

L. Van Houtven, Secretary and Counsellor

M. J. Primorac, Assistant

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2. SFF Subsidy Account - Additional Subsidy Payments for
May 1-June 30, 1990 and Subsidy Payments for July 1, 1990-
June 30, 1991 Page 57

Also Present

Administration Department: G. F. Rea, Director; H. J. O. Struckmeyer, Deputy Director; A. D. Goltz, J. P. Kennedy, R. Ramaciotti, P. D. Swain. European Department: H. Ungerer. Exchange and Trade Relations Department: S. Kanesa-Thasan, B. C. Stuart. Fiscal Affairs Department: A. Tanzi, Director. Legal Department: W. E. Holder, Deputy General Counsel. Statistics Department: J. B. McLenaghan, Director. Western Hemisphere Department: J. Ferrán, Deputy Director; P. C. Leme. Advisors to Executive Directors: J. M. Abbott, B. R. Fuleihan, J. M. Jones, J.-L. Menda, A. M. Tanase. Assistants to Executive Directors: B. Abdullah, J. A. Costa, S. K. Fayyad, K. M. Heinonen, J. K. Orleans-Lindsay, N. Sulaiman, C. M. Towe.

1. PERSONNEL - POLICIES AND OBJECTIVES

The Executive Directors resumed from the previous meeting (EBM/91/104, 7/31/91) their consideration of staff papers on the Fund's personnel policies and objectives (EBAP/91/46, 3/1/91) and recruitment policies and practices (EBAP/91/176, 7/12/91).

Mr. Prader made the following statement:

We welcome the Fund's intention to pay more attention to internal personnel management. The recent survey of the staff made by the Staff Association as well as the Ombudsman's report have highlighted the need for a review of these policies and their principles. Indeed, it is a good sign that the management itself is aware that the Fund's personnel policies and their application have given rise to problems. We appreciate the willingness to discuss these matters openly and to do something to correct possible shortcomings.

It is thus in the spirit of reform that we express our support for the initiatives announced in the Managing Director's statement. The only concern that we would have with these initiatives is the danger of a proliferation of committees and working groups.

While we are in general satisfied with the application of the Fund's personnel policies, I would nevertheless like to stress a few points. First, the Fund is still lagging in training efforts. New economists are exposed too early to mission work without much introduction and training in the specifics of Fund programs and mission work. The lack of managerial training is also worrisome. One could say it is unacceptable that only half of Fund managers have been subject to management training. Unless one assumes that all Fund economists are natural born leaders, in which case one need not be concerned, the quasi-objectivity claims of the Fund's promotion and appointment guidelines and practices have to be seen in a more realistic perspective. I would, therefore, strongly suggest a strengthening of training efforts. One specific step would be to make management appointments conditional on the candidates accepting management training.

Second, the Fund's performance appraisal procedures, in particular in the context of justifying merit increases, have perhaps become too comprehensive or--to put it more directly--too bureaucratic and cumbersome. A large part of the valuable time of Fund management and staff is consumed by these procedures. While some supervisors and managers seem to like this kind of bureaucratic work, others simply hate it and consider these performance appraisal procedures as diverting valuable resources from the Fund's real work. The staff paper admits that the "attempts to

improve the quality and effectiveness of performance appraisals have only been partially successful." One major improvement in terms of reducing the staff's work load would seem to be to cut down on the amount of staff performance appraisal requirements. I think there is no single governmental institution in the world in which the appraisal effort is so extensive.

Third, while the merits of job grading are recognized, there is a suspicion among the staff that the underlying criteria have been rather arbitrary and nontransparent, and if one looks for explanations for staff discontent, this may very well be a major factor. For example, technical assistance work has been downgraded, and many staff members working in this field have never understood this decision. Now everybody in the Fund is emphasizing the importance of technical assistance and technical assistance seems to be a major pillar of Fund policies. Yet the realization of this error has come at great human cost to the staff affected.

Fourth, on mobility, as much as we welcome moves toward strengthening the mobility of the staff and of management, we have to recognize that this policy has its cost in the form of increasing work pressure. Speaking about mobility, I am also not convinced that the recent change to three-year appointments for department heads is completely positive, because it will affect the independence of judgment of those department heads and make them much more hesitant in their decision making when the date of renewal of their appointment is close.

On the other hand, while there is strong momentum toward increasing mobility within the Fund, perhaps there is not enough mobility in the sense of exchanging people with the World Bank or other international institutions. Such mobility is either not encouraged or even more or less quietly resisted by Fund management. Nevertheless, the staff paper commends the Fund on having made such mobility possible through its "leave without pay" policy, but the actual figures show that there has been little mobility in this respect.

Fifth, we would also see the need to improve two-way communications between managers and staff on personnel and administrative matters. An illustration of this is the negative response of the staff to the draft for an administrative tribunal.

Sixth, a remark on personnel policies, bureaucratic tendencies, and the role of the Board: the new, more extensive involvement of the Board in the budgetary process has led to increased demands on the staff and management. There have even been complaints that a large part of the manpower resources given

to the departments has been absorbed in answering the additional requests for information needed to make the new budgetary process work.

On recruitment policy, the conclusion that "existing recruitment policies have served the Fund well" is open to debate. We are dissatisfied with the results: to the extent that there has been improvement in the nationality distribution, it only pertains to developing countries, while the European share has decreased throughout the 1980s and the U.S. share has been increased even more. Though we recognize the efforts being made in this area, more significant factors seem to be the core of the problem than is apparent from the systematic failure to correct the nationality distribution of the Fund staff. These factors include: a lack of competitiveness with respect to pay; the decline in the Fund's competitive edge since the 1970s over comparable jobs in Europe; the legal treatment of foreigners by the host country (employment of spouses and TAMRA); the bias in Fund recruiting toward Anglo-Saxon universities; and a higher standard of social security in Europe.

One major recruitment measure that could perhaps help to relieve the situation is to accept the value of European non-Anglo-Saxon academic university backgrounds in economics as being equal to an American university training. The fact that almost 70 percent of Fund professionals have an Anglo-Saxon university background is indicative of the Fund's cultural bias, a bias which is not justified by the economic performance of that cultural sphere.

Finally, the low share of professional women in the Fund, a share even smaller than in the mid-1970s, is unacceptable. Equally regrettable is the low share of women in senior positions.

Mr. Clark made the following statement:

The two staff papers acknowledge the weakness in staff morale. However, they both place too great a weight on the effects of work pressures and dissatisfaction with compensation policy. For example, it is stated in the paper on personnel policy that "the major reason for the present fragile state of staff morale seems to be what is, for many staff and especially those in key operational departments, the excessive work pressures." In our view, while work pressures have increased, and the Fund has lost some of its competitiveness in recruiting, the answer is not necessarily simply to increase the number of staff and to pay them more.

Neither paper addresses the more fundamental issue, which is that "less willingness than in the past to accept traditional hierarchical structures, and a greater interest in participating in the decision-making process are important new elements which need to be taken into account...." (EBAP/91/46, p. 2) Indeed, the paper on recruitment notes that recruiting has been made difficult by the perception that the pace of advancement is overly regulated and slower than in the private sector.

The key point is that the Fund does not provide a career path in which additional responsibilities gradually accrue with experience and performance. This reflects the very large discrete jump in responsibility that results between the A and B levels, and the apparent difficulty in delegating responsibility for even the most mundane tasks. If the Fund has a mandate to hire the best, then it should trust its staff by giving them some responsibility. In our view, it is this issue that needs to be resolved before a significant improvement in morale of recruiting success can be expected. Perhaps what is needed is continued efforts to revamp the Fund's corporate culture, to provide greater scope for incremental supervisory and other responsibilities.

The recruitment paper notes that difficulties in recruiting Economist Program candidates relate to the fact that no commitment can be made as to departmental assignments. Perhaps this suggests that the process should be reviewed. Indeed, while many private sector financial institutions have such programs, they are usually reserved for entry level candidates, and not those with advanced degrees and several years of experience.

The same paper notes that the Fund fills roughly one fourth of its senior positions externally. This seems high and may explain some of the staff's dissatisfaction. Indeed, Table 5 suggests that while the yearly average number of promotions declined during the 1980s, the proportion of promotions that went to outside candidates increased.

The paper suggests, in response to the point made by the Board that the academic qualifications of EP candidates were excessive, that only some 50 percent had Ph.D.s. This statistic is misleading since it is likely that the number that had completed graduate work beyond an M.A. was closer to 100 percent. The paper also notes that of the Fund economists not hired through the Economist Program, just over one half had pursued studies only up to the equivalent of an M.A. This suggests that academic qualifications are not essential.

In response to the suggestion made this chair that consideration be given to hiring research assistants instead of economists,

the paper suggests that the scope for this is limited since economists need to be fully acquainted with their data bases. This is absurd, and reflects the same aversion to delegating responsibility described earlier. Technical assistants should be given the responsibility for data bases and other responsibilities, and the Fund should stop assigning to economists the responsibility for supervising those subjects.

The paper suggests that priority will be given to hiring mid-career candidates in the near term. This will likely affect the seniority profile of the Fund, creating a greater bottleneck at the Al4 and B1 level, and will adversely affect morale.

It was also suggested that greater flexibility be allowed in setting entry level salaries within ranges. What does this mean, and what effect will this have on the budget? Since one is hiring mid-level public sector bureaucrats, the need for raising compensation would seem to be less. Distorting salaries for new entrants--both those at the more senior level and for Economist Program participants--runs the risk of worsening morale and putting additional pressures on the salaries of existing staff.

Mr. Al-Tuwaijri made the following statement:

I welcome this discussion on the Fund's personnel and recruitment policies. Management and the Executive Board are beginning to focus on the real issues that have led to the staff's growing morale problem and the increased tensions within the institution. Only by addressing directly the problems of communication and the staff's perceptions of unfair promotion and merit award decisions will we be able to resolve these difficult issues. This cannot be done through the creation of frustrating bureaucratic organs like an administrative tribunal.

It is refreshing to note that the paper on personnel policies and objectives recognizes explicitly many of the problems confronting the staff, be it in terms of the excessive work load, the increased mistrust of managers, the perceived need to strengthen the institutional mechanisms for making supervisors accountable for their personnel decisions, or the apparent insufficient attention devoted to personnel management functions. Nevertheless, it is obvious that, in any institution with a horizontal organizational structure and a professional staff of the highest quality, career development frustrations are likely to emerge. Indeed, had our staff been very willing to accept traditional hierarchical structures and had they not exhibited a greater interest in participating in the decision making process, I would have been concerned about the quality of our staff.

There are two major problems confronting management in the area of staff relations. First, the horizontal institutional structure and the consequent lack of upward mobility affect adversely the attractiveness of long-term careers in the Fund. Second, the inadequate communication within the institution and the widespread perception of unfair implementation of managerial decisions have a significant negative impact on staff morale. Regarding the former, the recent increase in senior staff positions, coupled with the intention to increase the number of Division Chief and Deputy Division Chief positions, should help to enhance vertical mobility in the institution. I hasten to add that, even though this was not the motivation behind these decisions, they have had positive externalities. With respect to the second problem, the concrete steps listed in the Managing Director's statement are very welcome and should help ameliorate the problem, provided they are effectively implemented and efficiently monitored. In particular, I endorse the establishment of the Advisory and Coordinating Committee on Personnel Matters, and I look forward to the report of the working group on communications. Most significantly, there is a crucial need for departments to spend more time on internal personnel management.

In his statement, the Managing Director asks us to comment on the three areas that he has identified. With regard to the first two, I would be surprised if anyone disagrees with those general statements. Nonetheless, we cannot overemphasize the need to maintain a career staff of the highest quality and professionalism. I am pleased that this is perpetually accorded the highest priority. However, given this top priority, we may need to enhance the central authority that oversees and guides the career development of the professional staff. Although marked progress has been achieved, increased quality control on the managerial practices of departmental supervisors would be helpful. It is hoped that the newly created Advisory and Coordinating Committee will address these issues. Moreover, we may need to increase the reliance on "professional" personnel administrators who are specialized in human resource development.

In light of the excessive work load pressures, the need to align compensation policies to the market, and the importance of strengthening staff development policies, some restructuring of staff skills may be appropriate. Indeed, given the decision to expand the staff's size and the current recruitment difficulties, a greater effort to convert existing or new economist positions into research assistant positions is needed. In this regard, I am not persuaded by the argument on page 11 of the recruitment paper that there is limited scope for this, as economists need to be fully acquainted with the available data base in order to undertake meaningful and effective analyses. Clearly, economists can

be aware of the data base without having to undertake repetitive and mechanical exercises. The fact that most academic economists have graduate students as research assistants does not seem to detract from their ability to analyze issues effectively. Furthermore, from casual discussions with many desk economists, I have noticed that they would greatly appreciate having research assistants. Hence, I would emphasize the importance of not dismissing ideas before considering the views of staff members who are most immediately involved. Moreover, I know from discussions with potential Economist Program applicants that the prospect of significant tedious and mechanical data work may represent a major disincentive to joining the Fund. I hope that the intensive efforts undertaken in relation to the budget exercise will include a careful examination of these issues.

The specific issues raised in the paper on recruitment policies and practices highlight the importance of recruiting personnel on the widest possible geographical basis. This is pivotal for the effectiveness and credibility of this institution. In this respect, I am disappointed that the representation of Middle East nationals remains significantly below quota and is deteriorating for economist positions, as indicated in Table 6. In addition, I am not certain that the statement on page 9 of the paper that there has been an improvement in the representation of Middle East nationals in Grade B positions during 1980s is very significant, as there appears to have been an improvement of 0.2 percent over 1980, and 0.1 percent over 1970. I trust that this will not be a continuous trend. Moreover, I am not satisfied with the recruitment effort in the region. When the absolute number of qualified candidates is considered to be low, more innovative efforts are needed. Consequently, a more aggressive attempt at recruiting nationals from the region is essential, with particular emphasis on graduates or potential graduates from Western universities and academic institutions in the region. In this respect, it is crucial to target various research organizations and autonomous bodies in the region rather than to rely exclusively on government bureaucracies.

More generally, I find the argument on page 9 regarding the deterioration of developing country representation in the Grade B positions totally unsatisfactory. To claim that the improvement in the Grade A positions should be reflected in the B Grades in due course is not completely accurate in light of the pyramidal structure of the institution. Moreover, given that the Fund fills one fourth of senior-level vacancies through external appointments, along with the presence of highly qualified developing country nationals below Grade B, there is ample room to rectify quickly this deterioration in developing country representation.

Here, I would appreciate receiving from the staff a breakdown per department of developing country representation at the B level.

Regarding the issues of academic qualification and country training, I fully agree with the staff's position, with the above mentioned proviso for research assistants.

Finally, from page 13 I note that the Administration Department intends to hire candidates with expertise that extends well beyond macroeconomic issues into tangential areas like poverty, military expenditure, and the environment. I am unaware that the Executive Board has discussed the issue of military expenditure, let alone agreed to develop in-house expertise on the issue. Most significantly, I vividly recall that the Board decided to allocate minimal resources for the environment, which in no way suggests that our new recruits should have an in-depth knowledge of these issues.

Mr. Tabata made the following statement:

I welcome this opportunity to discuss the Fund's personnel and recruitment policies. This chair was impressed by the Managing Director's statement on personnel matters, in which he mentioned that the terms of newly appointed departmental Directors would be about three years. When we discussed the 1991 budget in April, this chair stated that one of the main reasons why young economists with Ph.D.s who have participated in the Economist Program of the Fund and revealed impressive abilities have refused the Fund's offer to be permanent staff is that some departmental Directors have been in their positions for more than 10 years and in extreme cases 15 years, so that those young economists thought that the expected promotion level would be limited. In addition, even division chiefs or advisors seem to have limited prospects for promotion. Therefore, this chair welcomes the fact that the standard term of department heads has been shortened to a period of about three years.

On the academic qualifications required of the staff, I note that the paper insisted that staff economists should have a Ph.D.-level education. I do not necessarily agree with this opinion. Let me describe my own experience when I was involved in recruitment in the Bank of Japan. The Bank of Japan employed approximately 50 young economists graduated from university every year. In Japan almost all university graduates looking for jobs in the various industries have B.A. qualifications. It is not important to have a Ph.D. unless one majors in medical science, engineering, or physics, for example. Therefore, almost all the candidates who apply to the Bank of Japan are evaluated not on whether or not

they have a Ph.D., but on whether or not they have good potential. In this context, on the job training becomes very important. Almost all large Japanese industries have a variety of internal training courses. I believe that, with appropriate training, economists without a Ph.D. could satisfy the mandate of the Fund, negotiate with country officials who themselves have advanced training, and master sophisticated methods of economic analysis.

The frequency of the training within the organization is also important. If the proper training is provided to economists who do not have a Ph.D., they can become excellent economists and good managers. If this does not happen, it is due either to a deficiency in the training system or to a lack of ability of the managerial class.

In the Board discussion on the 1992 budget, I stated that once a staff member is promoted to the manager level--in the Fund's case, this is the B level--it becomes much more important for that staff member to be able to manage the economists in his division, to head a mission, and to maintain good relationships with countries. A Ph.D. is not required for someone to have excellent managerial skills. It would be worthwhile for the Fund to try to increase the number of participants in the Management Development Program courses.

I appreciate management's efforts to improve the performance appraisal system during the past five years. Many staff members admit that progress has been made in this area. However, given the great control that individual departments have over performance appraisals, further efforts to eliminate biases and improve consistency are essential. In this context, I would ask how the performance of the Resident Representatives is appraised. This year's budget required an increase in Resident Representatives, but we know so little about these staff members' performance.

Finally, I would like to briefly touch upon the current imbalance between countries' quotas and the percentage of the staff from the corresponding countries. Japan's quota, for example, is 4.6 percent, but the staff share is only 1.9 percent. This is the biggest imbalance between quota and staff share in the Fund. I hope that many more Japanese staff members will be recruited by the Fund.

Mr. Monyake made the following statement:

In general, I agree with the staff's conclusion that the existing recruitment policies have served the Fund well. Also, there appears to be no pressing need to change the major

objectives of personnel policies as outlined in the Managing Director's statement.

The thrust of the recruitment strategy for the future as presented in EBAP/91/176 is a step in the right direction. I particularly agree with the view that efforts should be made to reduce excessive work load pressures on the staff. Staff members need time to think and learn and to devote adequate time to their personal lives. Regarding training, it is stated in EBAP/91/46 that the economist staff has little time to take advantage of educational activities that are available, and that only about half of the Fund's managerial-level staff have participated in the Management Development Program. Unless the problem of understaffing is corrected, it would not help much to make more money available for education and training. I support Mr. Wright's point that eligibility to promotion to managerial positions should be conditioned on participation in this program.

We attach importance to broadening the nationality distribution of the staff. However, we are not comfortable with the implied link between a region's quota share and its share in the distribution of the staff. As Mr. Wright pointed out this morning, the two should not necessarily be linked together. Efforts should be made to recruit staff from as many member countries as possible. Quota shares should not be given undue weight.

I would note that Table 7 of EBAP/91/176, which lists recruitment visits for 1991, does not include Africa. Is there any particular reason for this omission?

I note the intention to diversify the educational backgrounds of the staff. That should help to bring new thinking into the staff. Employing more mid-career individuals should also help in this direction. But I am concerned that the question of academic qualification has not been satisfactorily addressed in the staff papers. The staff makes the point that having a Ph.D. has never been a recruitment requirement for economist positions (see page 10, paragraph 2). However, the following paragraph seems to negate this assertion: not only does it argue that "a Ph.D. gives a candidate a competitive edge in the skills required by departments to discharge their responsibilities toward the membership," but it also leaves the distinct impression that hiring non-Ph.D.s would "jeopardize the effectiveness of the Fund and erode its credibility." This is also not consistent with the observation made recently by some Directors that although most government economists in many member countries are trained only to the master's degree level, they generally perform very well. If the Fund concerns itself primarily with the same issues as these government personnel, what accounts for the skepticism that the

performance of staff members with lower than a Ph.D. degree has a greater chance of falling below acceptable standard?

It is true that the Articles mandate that the staff be technically competent, as stated on page 12 of EBAP/91/176, but technical competence must be put in some perspective. It is no guarantee for effectiveness in the type of work that the Fund is engaged in. It is quite apparent that countries with Nobel Laureates in economics, well-known professors, and some of the most highly educated economists in government have not been spared their share of economic problems. That these countries have problems is certainly not due to the limitations of technical competence. All of this is not to deny that the level of technical training of the staff must not be compromised; however, appropriate emphasis should be placed on practical experience gained in "real world" situations. In particular, due regard should be accorded individuals who have developed a strong sense of how governments operate and can decipher feasible economic policy measures from those that are purely theoretical. Due consideration should also be given to candidates who, because of their work experience, have the potential to be more suitable to assume leadership roles.

The special recruitment programs mentioned in the staff paper interest me and, properly administered, they should benefit the Fund tremendously. The Economist Program is a good testing ground for young economists wishing to make a career in the Fund. We also think the Special Appointee Program serves a useful purpose as a complement to training programs provided by the Institute. Officials seconded from member countries should gain valuable experience working in the environment of the Fund. The Summer Intern Program, like the Economist Program, serves as a breaking in and familiarization period. What is more, it can also help the interns to meet study-related financial obligations. However, the procedure for recruiting participants in these programs from different countries is not transparent. The staff may wish to enlighten us further on this.

Like Mr. Wright, I believe there is a need to effectively centralize the recruitment process. Currently, the Administration Department's recruitment section functions as a sort of clearing house only. To ensure the desired versatility and mobility, there ought to be a panel that considers applications against available posts, instead of individual departments making the selections to suit their narrow specific requirements.

In general, management should work toward improving the attractiveness of the Fund to potential recruits. Conditions of service should be improved all round. Dialogue with the host

country should be continued in order to remove some of the obstacles that fall entirely within the competence of those authorities.

Mr. Fridriksson made the following statement:

Like others, I welcome this discussion on the Fund's personnel policies and its recruitment policies and practices. Unfortunately, it takes place in a period of intense Board activity, which makes it difficult to give these issues the consideration they warrant. I shall seek to address in general terms the issues raised in the Managing Director's statement.

On the key objectives of personnel policies, the Articles of Agreement spell out the requirements that the Fund staff is supposed to meet. However, meeting them is easier said than done, and the competition for macroeconomists has intensified. The Fund must, therefore, look carefully both at how it best attracts qualified staff and at how it maintains qualified staff on its payroll.

As to the required qualifications, I have here part of a package that is sent to prospective candidates: it states that desk economists must be well versed in macroeconomic theory, policy, quantitative methods and computer techniques. In addition, they must be articulate, diplomatic, and be able to work with short deadlines. They must have a command of spoken and written English and often another language. That is a fairly detailed description of requirements that Fund economists must meet.

The Fund appears to have become less competitive in terms of salaries than in previous years, and I understand, for instance, that recent recruitment missions indicate that present salaries may not be considered competitive in some of the newly industrialized economies. As this situation is unlikely to change markedly in the Fund's favor, the Fund must seek to improve working conditions in general.

The paper on personnel policies and objectives lists many personnel management problems and describes the efforts of the Fund to deal with them. It is of course of serious concern that morale problems seem to be growing and that distrust may have developed between the staff and the leadership of the institution. The latest indication of this is the outcome of the survey on the draft statute of the administrative tribunal, which has been referred to by Mr. Prader. It seems that the dialogue between the

management and the staff has to be intensified, as poor communications can easily breed discontent.

One point mentioned in the papers is that there seems to be less interest in a life-long career in the Fund than in the past--and that staff members recruited in recent years are generally more mobile. This is probably not a unique Fund experience, as I think that in many countries professionals have generally become more mobile than in the past. This is simply a sign of the times, and not necessarily a negative one, as it may in fact increase the flexibility of the Fund's personnel and organization. I also understand that there may be growing interest in at least some industrial countries in fixed term appointments in the Fund, and perhaps the Fund needs to increase further its recruitment activity in this area. We have tended to agree with those who have felt that the Fund overemphasizes the importance of hiring Ph.D.s. Work experience can be at least equally important, and in-house training, for that matter, as well.

It is obvious that the work load in the Fund has been quite heavy for an extended period and is not likely to change much in the foreseeable future. In view of demographic changes and an apparently changing preference for the balance between work and free time described in one of the papers, the Fund may very well have to increase the number of staff to relieve work pressures. It must also seek to continuously redeploy staff to the most overworked areas. I recognize that this has been done to an important extent, but more may need to be done. Some functions may have to be downgraded on a temporary basis, and the Fund may have to prioritize its work to a greater extent. One possibility often discussed is to increase the number of countries on the bicyclic procedure for Article IV consultations. I noted the difficulty in providing training of staff because of the work load, and I would like to emphasize that the Fund should earnestly attempt to increase the time available for training--including training in the English language--as well as the financial resources to support it. I welcome the Managing Director's indication that efforts are being made in this direction.

The staff papers indicate that several factors may combine to make the Fund less attractive than other institutions. To rectify at least some of them, the following might be considered, in no particular order. First, the Fund might seek to provide greater opportunity for independent research, despite the remarks of Mr. Wright. It might be mentioned that some middle-level staff have indicated that their marketability rapidly erodes as their tenure with the Fund lengthens.

Second, the Fund should try to define likely departmental assignments as early as possible for new Economist Program participants.

Third, the Fund must try to assure its staff of sufficient promotional possibilities, which should be applied uniformly. As an aside, it may be mentioned that some staff members have indicated to us that career possibilities of economists are critically dependent on who heads the missions in which they participate in the initial years of employment. Even greater systematic rotation among departments, particularly in the early years of employment, might help in appraising the qualifications of junior staff. This might also make the Fund even better equipped to deal with sudden developments.

Fourth, I agree fully with previous speakers that it is of course extremely important that limitations on employment opportunities for spouses on G-IV visas be lifted, as they have proved to be quite a severe impediment to the hiring of professionals, particularly from the industrial countries. I fully endorse the efforts of the Fund in this area.

Fifth, the efforts undertaken in recent years to improve the salary structure and the performance appraisals seem to have created resentment among the staff. This is regrettable, and, as mentioned, I would suggest that management seek to intensify the dialogue with the staff on a variety of personnel policy issues. There may be a communications gap, and to refer again to the survey on the tribunal, I think that there is a widespread view in the Board that the results of the survey reflected, at least in part, a lack of communication with the staff, and that the decision to vote against the draft statute was not an informed one. Performance appraisals are a delicate exercise and there is certainly value in consistent and transparent rules across the institution. From the staff papers, one gets the impression that the performance appraisals are a source of considerable conflict and resentment. Perhaps management could seek to improve the procedures in collaboration with the staff. The new Advisory and Coordinating Committee on Personnel Matters could become an important forum in this respect, and the same applies to the Communications Working Group as far as two-way communications are concerned.

Sixth, I generally endorse the recruitment measures listed in the paper on that subject. It is very important to intensify the recruitment effort in a broad context. Recruitment missions must be carefully planned and targeted, and the Fund's handling of applications must be reviewed. It may be necessary to involve a greater number of staff in the screening of applications in order,

for instance, to ensure that qualified applicants are not overlooked, and that the availability of qualified candidates is made known to all relevant departments. The paper indicates that the Fund received almost 5000 applications for professional positions in 1990. Surely, there must have been a good deal of well-qualified applicants in that group, and the high number of applications must be generally viewed as indicative of strong interest in Fund employment. At the same time, we also have indications that employment opportunities in the Fund may not be known in universities in our constituency. We will certainly do what we can to advertise the Fund, so to speak, and we would be greatly aided in that effort by detailed information from the Fund in the form of pamphlets and so on. Here I am particularly thinking about the Economist Program.

Seventh, by combining possibilities for independent work with favorable career prospects and a respectable salary, the Fund should be able to achieve the fullest possible potential of each staff member.

More generally, on the issues raised in parts one and two of the Managing Director's statement, let me simply say that I can endorse them as broad objectives of the Fund's personnel policies.

I have not commented on the nationality and sex distribution of the staff, but I certainly endorse a broad representation. I also endorse the comments of previous speakers on the importance of developing better managerial skills.

In sum, as repeatedly stated, the Fund has been facing increasing competition with other institutions in its attempts to attract qualified staff. There has been a tendency to concentrate on the Fund salaries as a principal factor, and they are no doubt important. Given that they are not likely to change radically in relation to those offered by competing institutions, the Fund must meet the competition by emphasizing other aspects which make and/or can make it a more attractive place to work. This will involve more intensified recruitment effort but even more importantly changes in the working environment, including determined efforts to improve staff morale.

Mr. Spencer made the following statement:

At our meeting in March on the medium-term budget outlook, I made a number of comments on the first of the two papers before us (EBAP/91/46). These comments were made in the context of the broader discussion of the planning and budgeting framework. I think it is also important today to keep some of the broader

management issues in mind. After all, we have acknowledged that the persistent overstretching of human resources has been an important factor contributing to the present personnel problems that we face. This overstretching has at least partly reflected weaknesses in the Fund's planning and budgeting processes.

Given the strong incentives for member countries to go on increasing their demand for technical assistance and advice from the Fund, it certainly seems unlikely that the overstretching problem will be properly dealt with until a more effective means of prioritization and planning is established. But, of course, the resource squeeze is not the only cause of low morale among the staff. There is also the well-established organizational culture, referred to in the Board paper, that espouses the philosophy of "hard work, no deadline is too tight, and if you want to get ahead, don't complain."

If tensions between staff and management are to be successfully eased, it will be necessary not only to pay greater attention to planning, but also to change attitudes and upgrade the people management process within the Fund. Indeed, if the management culture is not altered, it seems unlikely that a better balance of outputs and resources could be maintained for any length of time. Any increase in the time budgeted out to management activities would quickly be squeezed out if people do not have a serious commitment to management issues.

As mentioned in the Board papers, and in the Managing Director's statement, much has been done recently to deal with the overstretched resource position and to raise management consciousness within the Fund. However, the extent of ongoing morale problems, highlighted vividly in the Ombudsman's last annual report, suggest that considerable further progress is required.

While endorsing the general thrust of the strategy for improving the management process, as set out in the staff paper on personnel policy, I would like to emphasize certain aspects of that strategy. First, it is crucial that all managers and potential managers be exposed to regular management training, preferably in a place removed from headquarters so as to avoid the distractions of day-to-day work. The present annual average of four days training per staff member--for both management and technical training--is clearly too low.

Second, incentives need to be established that reward good management practice. As pointed out by some earlier speakers, including the Chairman of the SAC, this requires a strong commitment from senior management with clear recognition of management skills as an important criterion for promotion.

Third, the Board paper recognizes the urgent need to substantially improve two-way communication between staff members and their managers. Improved communications, of course, should come with a greater management effort. But it is particularly important that managers and their staff deliberately set aside time for regular reviews of individual achievement in relation to work and career objectives.

The annual staff appraisal is a key element of this communication process, but it is important that time also be allocated for more frequent reviews of performance in relation to individual work plans and other objectives, say, every three or four months. It is also important that this not become an overly bureaucratic process. Earlier comments suggest that this may be a real risk at present, so I would support Mr Fridriksson's suggestion that the appraisal framework be streamlined as far as possible, with the paper flow kept to a minimum. But its broad purpose of evaluating performance against objectives is essential.

I would add here that effective communication cannot be achieved by increasing the number of Administration Department circulars, or by establishing a closer relationship with the SAC. These channels are peripheral to the basic relationship between staff member and manager.

As a final point on communication, I agree with the Board paper that a system of voluntary reverse appraisals may help to promote more open two-way communication. However, I disagree with the Ombudsman's proposal that such appraisals should be compulsory and anonymous. This would run the risk of further eroding--rather than rebuilding--trust in management relationships.

Turning briefly to the paper on recruitment policies, I would just comment on two issues. First, regarding the mix of skills and qualifications among the staff, I would urge management to continue the trend toward greater use of research assistants as a means of reducing the load of mundane work carried by many highly trained economists. Even though some economists might have to be weaned away from their data, I am sure this would eventually help to alleviate the morale problem as well as improve the cost effectiveness of Fund operations. As the Chairman of the SAC said this morning, the staff are generally overemployed, but their skills are often underemployed.

My second comment on recruitment relates to the relative paucity of outside appointments to senior and noneconomist positions. The staff points out in the paper that outside competition at the lower levels ensures selection of the best qualified candidates, as well as ensuring effective competition

between internal candidates and maximum staffing flexibility within departments. Yet, for some reason, these benefits do not seem to apply when it comes to noneconomist and senior positions, where internal candidates are given preference. Perhaps the staff could comment on this aspect of the Fund's recruitment policy, and tell us whether there is any intention to make it more open in the future. The staff might also comment on the scope for outside mobility of Fund staff, which would help to broaden the career prospects for existing Fund staff.

The Acting Chairman remarked that while it would be useful to open up recruitment, the Chairman of the SAC had pointed out that one of the staff's morale problems centered on the fact that promotion opportunities had decreased over time because the Fund was hiring more people from outside to fill senior level positions. There was, therefore, a tension between the two desirable objectives of creating promotion opportunities and bringing in new experienced people from the outside.

Mr. Goos said that he welcomed the generally candid and frank discussion in the paper on the Fund's personnel policies and objectives of the current personnel situation in the institution. In particular, he highly appreciated the fact that the increasing signs of declining staff morale and reduced attractiveness of the Fund as an employer were not only traced to factors beyond control of the Fund, such as Washington's sad reputation as the murder capital, or restrictions on employment opportunities for G-IV visa dependents. In the latter regard, however, he very much endorsed management's intention to continue and, wherever possible, strengthen its efforts at overcoming the existing restrictions. He certainly hoped that those efforts would have the continued vigorous support of Mr. Dawson and his office.

As to other factors affecting the personnel environment that were within the Fund's control, Mr. Goos continued, he gathered from conversations with staff members across nationality lines that a major, if not the single most important, problem affecting staff morale was insufficient communication, in particular, on a personal, bilateral basis between managers and their subordinates. That problem could not be effectively tackled by increasing the flood of administrative circulars or other written material, which on the contrary tended to create among the staff the feeling of being administered by a bureaucratic machinery, which was interested in the maximization of output rather than the individual needs and aspirations of the staff.

Such feelings had been fed by the traumatic experience of many staff in the context of the job grading exercise, Mr. Goos said. Closer and candid review of that exercise would offer important lessons for more effective personnel policies in the future. One particular feature of the job grading exercise that had contributed to "the unfortunately high level of suspicion

and doubts about the value which the Fund attaches to loyal service," to quote the paper, was that the grading had been used not only for the officially stated purposes, but also to oust staff who were thought to be no longer useful to the institution. Indications to that effect were that no attempt had been made to assign additional tasks to the downgraded positions to boost their job content, nor to subject the affected incumbents to a period of probation.

Another indication that the job grading exercise had pursued hidden objectives was that, as he understood it, quite a number of the formerly downgraded positions had been upgraded after the finalization of that exercise again without visible changes in job content, Mr. Goos remarked. It was, therefore, not surprising that the staff had reacted with misgivings and frustration to the job grading exercise and that those feelings were still present.

From that experience, Mr. Goos indicated, he would draw the conclusion that the restoration of frank, sincere, and open communication between supervisors and their subordinates should be given the highest priority. That should be combined with a constructive attitude aimed primarily at helping to overcome weaknesses in performance rather than focusing on early separation, especially of longer-serving staff, at the first signs of deteriorating performance. There were, of course, limits to such an approach if the efficiency of the Fund was to be preserved. However, the problem of weak performance could be limited or contained by reassignment of staff showing performance problems to other jobs for a probation period of, say, one year. He stressed the desirability of combining probation with a job transfer, which would assure an objective appraisal of performance by more than just one supervisor, whose judgment for whatever reason might be biased against the incumbent.

Perhaps overall staff morale could be improved further by conducting long-term appraisals in shorter intervals than the current four years, say, every third year, Mr. Goos suggested. The objective of long-term appraisals--to strengthen the interaction and communication of managers and their subordinates--could also perhaps be achieved by the proposal of Mr. Clark to introduce annual career planning reviews.

Judging from informal contacts with the staff, Mr. Goos said, additional efforts should be made to improve the transparency of staff appraisals by insisting on the use of clear and specific performance criteria that were readily verifiable. For example, he found it difficult to understand when a staff member, after having dedicated some two decades of his or her professional life to the institution in a generally satisfactory manner, as reflected in the previous evaluation of that staff member, was suddenly criticized by the supervisor for poor writing skills and insufficient knowledge of English without any proof or evidence. He therefore strongly endorsed the proposal that the clarity and objectivity of

performance reports be explicitly used as performance criteria in the appraisal of supervisors.

It was his view that personnel policies in the Fund should also develop a more human face in dealing with staff members close to retirement, Mr. Goos went on. Some weakening in performance toward the end of a long and generally productive career was not an unusual experience. Accordingly, attempts to force early retirement in such a situation were quite difficult to reconcile with the responsibility of the Fund as a trustworthy and fair employer. As he understood it, that responsibility could be enforced in the labor courts of most countries, and certainly those in Germany.

He fully endorsed the proposals made in the paper on the Fund's personnel policies and objectives, Mr. Goos said. He was particularly happy to note from the Managing Director's statement that specific steps had already been taken to begin the implementation of those proposals. He also had no difficulty in endorsing the key objectives of personnel policies and the personnel strategies to be pursued over the medium term as presented in the staff paper and in the Managing Director's statement except, perhaps, for two points. First, the proposal to redress the balance between work load and available staff resources needed some qualification. As he had already emphasized in the recent discussion on the budget, he fully appreciated the detrimental effects of the continued excessive work load on staff morale and on the effectiveness of the institution. But, like others, he continued to feel strongly that the problem could not simply be resolved by hiring additional staff. Rather, the underlying causes of the existing imbalance should be examined in the context of a thorough and comprehensive review of the Fund's current and future activities and priorities.

On staff mobility and flexibility in personnel management, Mr. Goos said, he appreciated the benefits of mobility, but he was somewhat concerned that the appointment period that had recently been adopted for top-level staff might be too short. He was particularly worried that with a period of only three years, managers would concentrate in the first place on the prospects for their reappointment, which might undermine the independence of their views on economic issues. He understood that was a minority view in the Board, if he had correctly understood previous speakers.

As to the paper on recruitment policies and practices, Mr. Goos said that generally he endorsed the proposals made to broaden the sources of recruitment and the nationality distribution of staff. At the same time, he was concerned about the academic bias in the Fund's recruitment practices-- that only a fraction of the staff was being hired from non-Anglo-Saxon universities, as was supported by Tables 1, 2, and 3. The existence of an academic bias was also revealed by the observation on page 11 of the paper that Anglo-American universities "have been particularly successful in producing economists with the qualifications that the Fund needs," and that "other universities might become more attractive to the Fund to the extent that they emulate the standards of the major Anglo-American universities in

the teaching of advanced economics." Perhaps the staff would care to comment on the kind of specific qualifications needed by the Fund that were not provided, say, by German universities. He could not accept the simplistic notion obviously underlying the existing recruitment policy that economists trained at non-Anglo-American universities were generally unsuitable for the Fund. On the contrary, he felt strongly that the Fund and its membership would greatly benefit from a staff with a broadly diversified academic background.

He was particularly interested, Mr. Goos said, in further information from the staff on the special appointees program, since he was concerned that Germany might soon become one of "the countries where it has proven difficult to recruit candidates for staff positions," as the staff paper put it. Perhaps the special appointees program offered an alternative for attracting qualified German staff.

The Acting Chairman remarked that, as the discussion had proceeded, fundamental areas emerged in which the alternatives reflected some of the tradeoffs--for example, between the desire to create promotion opportunities and the desire to infuse new blood, or between the desire not to force early retirement and the desire on the budget side to restrain the growth of the organization and to avoid a proliferation of staff members, particularly at the senior level, who were not carrying their full weight. Each of those objectives was, on its own, desirable. The question then became how to find the right balance between them.

Mr. Zhang made the following statement:

We welcome today's discussion on personnel policies and practices. We also wish to commend the staff for the comprehensive and informative papers on Fund personnel policies and objectives and recruitment policies and practices. Since we concur in general with the staff's analysis, I wish to make just a few brief comments.

I would like to start with a few words on the new Advisory and Coordinating Committee on Personnel Matters and the working group to review communications with the staff, which are mentioned in the Managing Director's statement. We welcome the establishment of the committee and the working group. Based on our observation, particularly on our experience in recent meetings on the relevant issues, we believe that improvement of two-way communication on personnel matters is of great importance, and the establishment of the committee and the working group is therefore timely. We look forward to the report that the working group is expected to issue at the end of September and to learning about the Committee's progress. We attach great importance, indeed, to the issue and hope that an appropriate and effective mechanism can be developed,

based on sound and relevant recommendations from the committee and the working group.

The question of how to improve the competitive position of the Fund in the recruitment and retention of highly qualified staff remains of great concern to us. Having highly qualified staff is without doubt the fundamental guarantee which enables the Fund to play an increasingly important role in the international monetary system and meet new challenges. However, from the late 1980s and early 1990s, the employment market for economists has become increasingly competitive. The rate of rejection of the Fund's offers of employment has also increased rapidly. We are in broad agreement with the various measures described in the staff papers to improve the attractiveness of the Fund.

We believe that strengthening the Fund's compensation system is one of the basic ways to improve the organization's international competitiveness. Further efforts need to be made in this respect, including continued study on compensation policy and a greater degree of flexibility in setting entry level salaries within a given grade to attract qualified people. In order to improve the environment for the staff, among other aspects, management is urged to continue its efforts to assist staff spouses subject to G-IV visa employment restrictions to identify employment opportunities in this country, or in other U.S.-based international organizations.

We have no difficulty in going along with the recruitment policies and practices described in the paper on that subject. We note that some success has been achieved in recent years diversifying further the nationality distribution of the staff, and we appreciate the efforts made by staff in this respect.

We note from Table 1 on page 16 of the staff paper that recruitment from developing countries, which dropped from 24 percent in 1980-84 to 22 percent in 1985-89, increased to 33 percent in 1990. Although this is an encouraging sign, great effort has to be made if the latter is to become the average annual figure on a five-year basis. Therefore, we encourage the staff to continue addressing this issue.

With respect to the issue of promotions for senior staff, we are of the view that of those staff members who meet the qualifications and requirements for promotion to senior levels, the staff from under-represented countries--especially the significantly under-represented ones--should receive timely consideration from management. As a matter of fact, it is absolutely essential that priority be given to such staff. My authorities remain gravely concerned about this matter.

With regard to the appointment of senior staff and selection for Director-level positions, we can go along with the present policy and practices. However, appointments should be made in a more planned and orderly fashion, so that the senior vacancies--especially at the Director level--would be decided upon fairly promptly.

Ms. Creane made the following statement:

Like others, we are happy to spend one session devoted to discussion of personnel policies, and we wonder whether it would be possible to do so on a regular, if more limited, basis in the future. The staff papers, outlining the objectives and strategies and changes in current practices, are all notable efforts and illustrate management's intention to improve the system. They have also provoked some interesting reactions and suggestions from Directors today. As we found that Mr. Wright's statement, with a few small exceptions, very concisely covered the basic points that we wished to make, at this point we would like to align ourselves broadly with that statement and make only a few additional comments and suggestions.

I would be interested in knowing whether the new Advisory Committee on Personnel Matters and the Working Group on Communications with Staff include representatives from the rank-and-file staff, or whether they at least positively encourage the staff's input.

While the Fund rightly takes special care and pride in recruiting highly able and motivated staff, whether as economists, research assistants, or administrators, we would agree with others that a major complaint of staff members once on the job is that they are not delegated challenges or responsibilities that do justice to these same exceptional abilities. In the case of newly hired economists, excessive time is spent tending data bases. For noneconomist professionals, the problems are focused on job mobility constraints. This is not only a problem of inter-departmental mobility, but also of promotion potential. In the cases of both economists and noneconomist professionals, the problem is particularly biting for those hired with years of practical experience outside Fund.

As to specific solutions, like many others, we believe that simply increasing salaries and other benefits, or increasing the number of staff members, only attacks the symptoms, and not the roots, of the problem. We have a few ideas on alternative or complementary measures. For economists, we would agree that more research assistants should be hired to do basic maintenance of

data tables. We also do not believe that an appropriate acquaintance with data bases for economists need be as time-consuming and lengthy a process as assumed in current practice. Another step would be allowing economists a more active role and responsibility in negotiations with member countries in their particular areas of expertise. As to noneconomist professionals' mobility, we wonder whether the hard criteria by which positions are designated as economist or noneconomist should not be relaxed. Many of those openings designated for economists, for example, in the Treasurer's or Administration Department, have job descriptions that do not require knowledge of several years of graduate-level economic theory. While the Fund is an institution with a natural dependence on economists, it is to its benefit to maintain the highest quality staff in every area. A tacit, and partially institutionalized, system that discriminates against noneconomists does not contribute to that goal.

Generally, the Fund might aim for a broader mix of academic backgrounds. Aside from the Research Department, a concentration of theoretically minded research-oriented Ph.D. economists is not necessary to the efficient functioning of Fund. In any given area department, it would be healthy to have a stronger mix of M.B.A.s and M.A. and Ph.D. economists. Here I would add that, generally speaking, the difference between an M.A. and a Ph.D. in economics is the dissertation, not additional theoretical course work. And dissertations, as everyone knows, are often not as original as they are meant to be.

In light of comments made regarding the usefulness of practical experience in new hires, we would suggest a change in the Economist Program so that it targets applicants with some experience rather than brand new graduates. Under the current system, where there is a wide range of backgrounds, there is understandably discontent that all are given equally low levels of responsibility. Such a change, combined with an increase in substantive work responsibility for lower-level economists, might help offset legitimate concerns regarding slow career advancement and could help boost the level of acceptance of employment offers. Regarding this last point, we note that U.S. market demand for economics graduates has dropped off, which should considerably enhance the Fund's recruitment successes in this next year.

Mr. Chatah made the following statement:

Like other speakers, we welcome this discussion on personnel and recruitment policies, particularly in light of the general perception of a certain degree of dissatisfaction on part of the staff, and management's intention to beef up the staff to

accommodate the increasing demands on the institution. It needs to be underscored, however, that personnel policies are primarily the responsibility of management and are subject only to the "general control" of the Board. Of course, the administrative budget is approved explicitly by the Board. And to the extent that personnel policies have budgetary implications, discussions like this one can be useful in assisting Directors to evaluate budgetary proposals.

In general, we can endorse management's view of what the key objectives of personnel policies should be and of the personnel strategy that needs to be pursued over the medium term. It goes without saying that this institution can only be as good as its staff. Therefore, we fully support the priority attached to maintaining the high quality and dedication of the staff that have traditionally characterized this institution.

With all the talk about a morale problem, it is difficult to deny that one exists. The paper on personnel policy, not to mention the ombudsman's report, makes an attempt to explain the reasons behind the staff's apparent dissatisfaction. At the same time, one should be careful not to exaggerate the problem or its universality, or to raise expectations about management's ability to make the work environment as blissful as some may imagine it could be. Again, this is not to shrug off the issue completely. But it is a matter of degree, and I am not sure that the available gauges of staff satisfaction or dissatisfaction are necessarily an accurate reflection of reality.

One issue that may have a bearing on staff's motivation and performance, which I do not believe is explicitly mentioned in the paper, is the sense of purpose and achievement in what the staff are doing. Again, it is difficult to measure these things, but one cannot help wondering whether this aspect of the staff's motivation has not weakened in recent years. True, the Fund's role and centrality in the system have grown over the years. But sometimes one gets the feeling that there is a degree of cynicism or doubt among some staff about the value or productivity of their work. Of course, the world and the Fund have become more complicated over the years, and success or effectiveness have in many cases become a process rather than a clearly defined outcome that can be achieved in a limited period of time. This obviously touches on broader questions, which I will not get into here.

One of the objectives outlined by the Managing Director's statement is the achievement of the fullest potential of each staff member. This is certainly an important objective, although it is easier said than done. One important factor here is the degree to which the career ladder and the likelihood of moving up

at a reasonable pace are perceived as being worth the extra effort. Clearly, different people may decide differently. While the bottlenecks in upward movement may motivate some to give it all they have, others may decide--rationally--to do just enough to be viewed as satisfactory performance. So in other words, we end up either with frustrated, competitive people or people who are performing at less than their fullest potential and both groups would be behaving rationally in a way. This is obviously a difficult problem to resolve although some of the steps taken recently should enhance the chances of upward movement for at least some regular staff.

The Acting Chairman just mentioned the trade-offs of competing objectives between increasing mid-career and fixed-term appointments and motivating staff through upward movement. While it is obviously difficult to quantify where the balance should be, I would say that to the extent that such an outside appointment would be at the expense of a well-deserved promotion, we should go for the latter as a general principle. At the same time, we agree with the general desirability of injecting new blood, as the Acting Chairman put it.

Two additional comments on the paper on personnel policies. First, in the brief historical account provided on pages 4 and 5 it is stated that the more decentralized approach followed in the 1970s and before had produced a situation where some less influential departments became "repositories" for problem cases. Although this problem may indeed have been more serious in the 1950s and 1960s, I am not sure that it, or at least some variation of it, is completely absent today. Once a negative perception develops about a particular department, it becomes very difficult to attract high performers. Where this problem exists, concerted efforts by management, administration, and the department itself would be needed to rectify the situation.

Second, the paper refers to the issue of diplomatic and negotiating skills of the staff. In my view, this is an important element of the staff's effectiveness in carrying out their responsibilities. This issue arises not only with respect to mission heads but also other staff members as well. I do not know to what extent such skills can be acquired through training, or can be assessed effectively at the early stage of screening, but be that as it may, promotion policy should take these abilities--or lack thereof--into account.

Turning briefly to recruitment policy, I have two brief remarks. First, the tables on the regional distribution of staff are quite useful, although I may not describe them as such after our authorities have had a chance to look at them. Let me

emphasize that we have always attached more priority to the quality of staff than their nationality. As stated in the paper, the question is not of representation in the real sense of the word. At the same time, the aim should be to achieve a reasonable regional distribution without compromising quality. The share of the Middle East in the staff distribution is clearly too low. It may well be the case that recruiting from certain countries in the Middle East is difficult. But that is not the case for other countries in the region. A well-designed recruitment effort should help rectify the situation.

Second, in order to attract qualified mid-career candidates, the paper indicates that the Fund's compensation policy will need to provide an adequate level of competitiveness and that, within the approved salary scale, a somewhat greater degree of flexibility might be applied in setting entry level salaries within a given grade to attract qualified staff. I have no objection in principle, but care should be taken not to create a situation where staff members who have risen through the ranks feel that they are being discriminated against in terms of relative compensation levels. This is particularly true when we are talking about convertible fixed-term appointments.

There are many issues that I have not touched on, either because we do not disagree with what is stated in the papers or because we feel that management is better placed to develop and implement specific personnel policies in the most effective manner.

Mr. Santos made the following statement:

We find it appropriate that the Fund should go through a process of self-examination periodically, to ensure that its personnel policies and practices are adequate or suitable for attracting staff of high quality and motivation. It is in this spirit that we welcome the two staff papers and the Managing Director's statement on personnel policies and objectives.

In welcoming the Managing Director's remarks on the two staff papers, we recognize that as a matter of great priority, a number of specific procedures have been put in place since March 1991 to deal with personnel problems that have become a matter of concern to the management. The requirement that departments are now to spend more time on internal personnel management is a significant step. We also note in this connection that each department has designated one senior staff member, at the Deputy Director level, to assume oversight responsibility and accountability for all personnel activities in the department. However, given the

variety of personnel ceilings for various departments, it seems that the burden and scope for oversight responsibility and accountability at the Deputy Director level would be greater in certain departments than in others, and this might create personnel problems peculiar to those departments with greater oversight responsibilities.

Indeed, the Deputy Director responsible for several divisions is clearly burdened with greater personnel responsibilities than his counterpart with a few number of divisions. It would be appreciated if the staff can comment on measures being developed to deal with such imbalance in personnel responsibilities. Do measures to deal with this problem, if any, include a reassessment of the staff grade at which managerial responsibilities begin? In other words, the threshold managerial position in the institutional structure of the Fund could be brought down from the Division Chief level to the Senior Economist level, through a process of delegation of personnel responsibilities. This point was stressed by Mr. Clark, and I think that he is entirely right.

We welcome the formation of a new Advisory and Coordination Committee on Personnel Matters under the chairmanship of the Deputy Managing Director. We note the important role that it would serve, inter alia, as a two-way communications forum on personnel matters. In this context, we are pleased that a Working Group is reviewing ways to strengthen the two-way communications within the Fund. But let me point out here that an important element for an efficient two-way communication is the transparency of the information, and the ease with which it is exchanged between the management and staff, and it is essential that such exchanges be on a regular and continuous basis. As pointed out this morning by the Chairman of the SAC, the communications gap between the management and the staff seems to be very wide, and genuine efforts aimed at correcting this problem are badly needed. We look forward to the issuing of the Group's first report in September.

Turning now to the issues raised in the two papers, since we are in broad agreement with most of the strategies and policies outlined in the paper, we will comment on just a few issues. On the key objectives to guide the Fund's personnel strategies and policies, we support the view that the fundamental emphasis of these policies should continue to aim at maintaining a career staff of the highest quality and professionalism. We are also of the view that the primary source for such high-quality staff should continue to be young persons--male and female--with the requisite qualifications (which are not necessarily a Ph.D. from an anglophone university, as emphasized by some speakers), complemented by the recruitment of relatively more mature persons

with the requisite qualifications as well as professional expertise and relevant outside experience.

The second objective is indeed a sine qua non for attaining the primary objective--that this institution must provide a stable and secure employment environment together with a general compensation package that is deemed to be sufficiently competitive and attractive to lure the kind of persons of diverse nationalities suitable for the Fund staff. We note that the Fund has in the recent past worked hard to establish such a competitive and attractive compensation package, including by establishing a special division in the Administrative Department to help the management and the Executive Board in taking fair decisions in rewarding staff members.

The objective of helping the staff to achieve their fullest potential as individuals is crucial. Most speakers have mentioned the need to reduce work pressure and improving communication in the work place. Also, the pursuit of such an objective implies that staff should have access to continuing training and education in the relevant areas. The staff paper recognizes this, but judging from the information on developments in this key area in recent years on page 11 of EBAP/91/46, it seems that the Fund needs to do more than it has: the proportion of wage bill devoted to training rose by only 0.5 percent in the last five years; and the number of days of formal training for each staff member on average is currently estimated at 4 days a year. Management should endeavor to reverse this trend. In particular, the managerial skills of senior staff need to be enhanced, and efforts need to be intensified to ensure that managerial-level staff attend the Fund's Management Development Program.

Concerning personnel strategies to be pursued over the medium term to help meet the key personnel objectives, I would stress the need to relieve excessive work load pressures on staff and strengthen staff development policies--particularly for managers and supervisors who have to motivate their staff and to ensure a versatile and motivated staff, including expanded access of the staff to education and training.

Regarding current and future initiatives aimed at responding to the recruitment challenges confronting the Fund, we agree that the Fund should continue to recruit international staff of high quality to deal with complex issues in the rapidly changing international environment. Of course, as mandated by the Articles of Agreement, this recruitment should be on as wide a geographical basis as possible. In this regard, we endorse the thrust of the comments of previous speakers on the need to widen the sources of the Fund's recruitment by nationality, academic qualifications,

and training. The Economist Program should continue to be the primary source of economist recruitment, and we support the proposed increase in the annual intake from 25 to 35. This program should be balanced with a recruitment program for mid-career professionals, to be identified through recruitment missions and through media advertising. The special appointee program has proved its usefulness, and we would like to see it expanded. We endorse the proposal to enhance the public relations aspects of recruitment.

In all these efforts to attract and retain staff of high caliber, we find that the significant element is the Fund's compensation policy. This policy has to ensure that this institution is really competitive. We can therefore go along with the staff proposal that the compensation policy and approved salary scales under it should have some flexibility for setting entry level salaries to attract qualified staff.

Mr. Cirelli welcomed the discussion at hand and thanked the staff and the management for the clarity and the frankness of the analysis that they had prepared.

He agreed, Mr. Cirelli said, with the recruitment and personnel policies of the Fund, and considered that the existing policies had served the Fund well so far. He agreed in particular with the three basic objectives of the policies: first, that the primary emphasis in the Fund's personnel policies should continue to be the maintenance of a career staff of the highest quality and professionalism; second, that the Fund should offer an overall compensation package that was sufficiently competitive to attract personnel of the quality required to fulfill the missions of the Fund; and third, that that compensation and other personnel policies should take fully into account the expatriate nature of most of the Fund staff and the need to secure a wide range of nationalities throughout the institution. The Fund was having increased difficulty in maintaining and retaining staff at a time when the work load was very heavy, which had led to the decision to approve a significant increase in the staff. Therefore, it was currently an appropriate time for reflection on personnel issues, including a clear assessment of the institution's priorities.

He agreed with the need to improve the overall quality and versatility of the staff and its career opportunities, Mr. Cirelli indicated. There was certainly a need to increase the proportion of the wage bill devoted to training. While that was not easy, given the work load of the staff, it was not a good sign that the Fund still lagged behind many comparator organizations in that respect.

On mobility, Mr. Cirelli said, he fully agreed with what Mr. Wright and Mr. Prader had said. He welcomed the actions that had been taken to improve

mobility prospects in recent years. However, the Fund should ensure that mobility did not create setbacks in staff members' careers. Taking up a Fund resident representative position abroad or moving from one department to another should be considered normal changes in a Fund career. Along the same lines, the development of mobility outside the Fund should be encouraged. Management had recently put forward that view, which he welcomed. Similarly, staff members that moved to other institutions should not be penalized in terms of promotion prospects or benefits when they returned to the Fund.

In general, Mr. Cirelli commented, all efforts to improve communication in the Fund would enhance the institution and would be very welcome.

As to recruitment policy, Mr. Cirelli said, he considered the two pillars of the Fund's current policy to be still valid--namely, to continue to strengthen the Economist Program, which had been very successful, and to continue to maintain two recruitment sources--the Economist Program and mid-career appointments.

The Fund's recruitment problems would increase because of the decision to expand the size of the staff, Mr. Cirelli observed. The factors contributing to those difficulties were not only monetary, and included in particular the limitation on employment opportunities for G-IV visa holders. In his conversations with French colleagues who were potential recruits, he found that the constraints on G-IV visa holders were increasing deterring candidates from considering a career in the Fund. Accordingly, he associated himself with Mr. Goos's comments on that issue and would welcome and support any concrete steps taken by management to improve the situation.

On the proposed increased flexibility in recruitment mentioned in the staff paper, Mr. Cirelli said that he would welcome an explanation of what exactly the staff had in mind. It was difficult to judge how much of a Ph.D. degree was necessary for a Fund economist, although the doctorate clearly was useful, given the tasks performed by the organization. However, the Fund should not focus only on the academic background of applicants. He sympathized with Mr. Wright's comments on the need to broaden the scope of acceptable educational qualifications.

While he was not in favor of implementing national quotas on the Fund staff, Mr. Cirelli said, there was a need to broaden the nationality distribution of the staff. Incidentally, the fact that European national representation had decreased throughout the 1980s was certainly a sign that the Fund had lost some of its attractiveness as an employer for citizens of the industrialized countries.

Regarding the educational background of staff members, Mr. Cirelli associated himself with the comments of Mr. Goos. He was not fully convinced by the staff's explanation for the high proportion of economist staff that had had an Anglo-Saxon education. While he recognized the

quality of Anglo-Saxon training, more should be done to accept other educational backgrounds. Certainly the fact that the English language was the working language of the Fund favored people with such an educational background. However, he wondered whether those candidates who had a knowledge of several languages other than English were at an advantage in the recruitment process, and how that knowledge of several languages was taken into account in evaluating the performance of staff members or determining their career prospects.

On recruitment strategy, Mr. Cirelli said that he agreed with the need to make efforts to attract more women to the Fund. He cautioned against changing the balance between Economist Program participants and mid-career recruits too dramatically, which could create bottlenecks in the career development of staff members. He had found particularly interesting the suggestion to expand sources of non-traditional recruitment in the years to come. Consideration might also be given to recruiting qualified candidates who were not yet able to function fully in the English language.

When he had joined the Fund two years previously, he had been very much impressed by the quality of the institution's staff and management, Mr. Cirelli recalled, and he still felt the same way. In comparison with many other international organizations, the Fund could serve as a model in many ways. However, there was increasing dissatisfaction on the part of much of the staff, which was mainly due to the work load problems, which would be alleviated with the increase in staff. He welcomed the Managing Director's statement, outlining the important steps that management would be taking in the upcoming months. It was important that the Board follow those issues closely and adopt a flexible attitude when needed, including on the compensation system. It would be regrettable if the Fund were to become increasingly less competitive than its comparator organizations.

Mr. Fernando made the following statement:

Some of the pressing issues with respect to personnel policies--like the work load pressures and the need for greater interdepartmental mobility and specific training to sharpen management techniques--have been recognized and addressed to the extent possible in the context of the Board's conclusions on the administrative and capital budget, and we endorse the recent initiatives set out in the Managing Director's statement.

I have a few comments on the paper on recruitment policies and practices. We fully endorse the recognition that in addition to having strong technical skills, candidates should possess qualities of leadership, forthright speech, and diplomatic and negotiating skills in working with the diversity of the membership. The Fund's credibility hangs on the quality of the advice it gives, and there is no doubt that technical competence should be given paramount importance. Certainly, in the context of the

Article IV surveillance exercised over the whole membership, this quality derives special emphasis. However, in the context of the total work load relating to countries, work relating to countries with Fund programs accounts for a share of the work load well in excess of the proportion of the total membership that those countries represent. We would note that all such countries are either in the developing world or are in transformation from one economic system to another. Considering how important program design is to program success, we should increase our endeavors to have new recruits with a reasonable exposure to the problems and characteristics of these categories of countries. The inter-relationships between policies and objectives perceived in developed market economies are less perceived in developing countries owing to structural factors. Even within the current policies with respect to recruitment at the Economist Program level, where the greatest emphasis is placed on Ph.D. degrees, one could attach some weight to intensive experience in developing country issues. We wonder whether such scope exists in the present practice, and we would welcome additional comments on other ways this could be done, assuming it is desirable, as we think it is. In this context, quota distribution should not be a binding constraint for recruitment, but geographical representation should better reflect the nature of the work of the institution.

While the compensation package is of primary relevance, we think that this is linked to the disincentive effect of the restrictions imposed by the host country on G-IV visa-holding spouses in respect of employment. We have noted the efforts made by the management to obtain relief on this front, but we are concerned about the lack of adequate progress. It should be mentioned that resolution of such long-standing issues cannot be made easier by the emergence of new issues such as those posed by TAMRA.

It is also said that the difficulty of indicating to candidates the precise departmental assignment has contributed to the difficulty of recruitment. I do not see how such assurances can be given, because it is essential, as emphasized by Mr. Cirelli, to ensure mobility in the Fund--for reasons of the need to alleviate temporary work pressures, changes in the focus of the Fund's work, or technological change.

On the use of the Summer Intern Program to strengthen the recruitment process, we do not doubt its potential to select candidates of technical competence, but I am less convinced of its ability to meet the test of geographical spread.

We endorse the policy of hiring staff in mid-career for fixed-term appointments, and we strongly feel that it would contribute qualitatively to the Fund's work. In respect of noneconomist staff, we would note that technological progress could increase the prospects for thinning out the ranks. While we would encourage retraining in new skills, this should not be at the expense of the Fund-wide efficiency gains that arise through the ability to replace persons with machines.

Mr. Marino made the following statement:

Like other speakers, we welcome today's discussion. In general, we agree with the key objectives of personnel policy and with the personnel strategies to be pursued over the medium term. Therefore, at this stage of the discussion and since many of our concerns have been addressed by other Directors, I will only make some brief comments on recruitment policies and practices.

The staff lists the nonmonetary factors that have contributed to the Fund's recruitment difficulties. Here, one ought to state the obvious: that some of the factors mentioned operate in both directions--for example, for many candidates, the Washington D.C. area certainly represents an added incentive to work in the Fund and, similarly, the opportunity to travel to different countries is also an incentive for many candidates. In any case, these are intrinsic characteristics of Fund work and any candidate that is concerned with these factors should probably not have applied in the first place.

On the issue of academic qualification, in our view, the main point is that great care should be placed on matching qualifications with needs. One does not want to hire a neurosurgeon to do the job of a nurse or vice versa. Here, department heads or the new designated senior staff member for personnel matters should give guidance in determining the tasks that need to be done and the required academic qualifications for those tasks.

I believe that diplomatic and negotiating skills are a valuable attribute of potential staff members. Therefore, we are pleased to note that increased attention will be paid to these specific qualities at the time of recruitment.

On the proposed recruitment measures, I have some hesitation about the usefulness of increasing advertising in the media. Perhaps the staff could comment on what has been the experience in other international financial institutions with the advertisements they place.

Finally, I hope that the imbalance that currently exists in the high ranking positions in the Fund between nationals of developing countries and those of developed countries will be corrected and addressed adequately in future recruitment and promotion efforts, since out of 235 positions of division chiefs and above, only 61 are held by nationals of developing countries.

Mr. Mirakhor made the following statement:

This chair also welcomes today's discussion on personnel policy matters and endorses the suggestion by Mr. Clark and other Directors that such discussion be held periodically. We also support the initiatives specified in the Managing Director's statement, in particular the objective of improved communication between management and the staff.

Much of what concerns us on personnel matters has already been covered by other Directors. We find particular affinity between our position and that of Mr. Prader. We, too, are concerned about the three-year appointment for the Directors of Departments and believe it may not turn out to be as useful as imagined.

We also share the concerns voiced by Mr. Al-Tuwaijri and Mr. Chatah on the serious under-representation of developing countries nationals, particularly in the B1-B5 levels as shown by Table 6 of EBAP/91/176. This is of considerable concern to our authorities. Like Mr. Monyake, I am also concerned about the recruitment visits schedule for 1991 given in Table 7. Given the fact of under-representation of Middle East nationals, it is disconcerting that no recruiting visits are scheduled for 1991 for the area. I would be interested in staff response on this issue.

On performance appraisal, I was intrigued by the suggestion made by Mr. Clark on an in-depth annual career review. The same point was raised by Mr. Goos. The Fund has what are called "long-term performance appraisals," which are undertaken every four years. Having gone through the process once, it appears to me that this mechanism has many of the desirable features mentioned by Mr. Clark and Mr. Goos. Perhaps the long-term appraisal could be adapted to become an annual feature of performance appraisal. We also find a great deal of merit in the point raised by Mr. Al-Tuwaijri and others that there is a great need for professional human resource managers to deal with personnel matters. The Fund may be the only organization of its stature without professional human resource managers.

Finally, I would like to seek clarification from the staff on a sentence on the first paragraph of page 13 of EBAP/91/176, which

states that "candidates will have to be able to deal with increasingly complex issues, several of which extend beyond macroeconomic issues, such as understanding of structural microeconomic issues, the socio-cultural context, negotiations, military expenditures, poverty and environmental issues." Does this imply that the Fund will attempt to recruit people with expertise in each area or persons who may have qualifications in one or more of these areas in addition to expertise in macroeconomics?

Besides the concern that was raised by Mr. Al-Tuwaijri, I would ask whether we are going to look for staff in each of these areas--in other words, are we going to look for an expert in negotiations or in military economics or in poverty or environmental issues, or are we going to look for a staff member who may have capabilities in all of these areas?

Mr. Posthumus remarked that, on the issue of morale, that he had had several jobs where his colleagues had all complained about the lack of competence of their supervisors, their long hours, and the fact that they were underpaid. But at the same time those colleagues were almost fanatic about doing their jobs well: such complaints did not necessarily represent job dissatisfaction. There might be room for improvement in the Fund's working environment, but he was not overly concerned about staff morale.

On mobility, Mr. Posthumus asked whether it was the specific goal of management to place the best people on the most difficult cases. Difficult situations could arise in particular country cases almost unexpectedly and in some cases it might well be useful to put a more qualified staff member on that job. That spoke for increased mobility.

He shared some of other Directors' doubts about the advisability of putting a three-year limit on top appointments in the Fund, Mr. Posthumus, although in principle he considered it to be a very good decision by the Managing Director. Perhaps it would be better to aim at, say, no longer than five years. In addition, the Fund could require top managers to have worked in at least two other departments of the Fund before being assigned as Director; that might be a stimulus for all staff members to gain experience in different departments.

On recruitment, Mr. Posthumus agreed with Mr. Mirakhor and Mr. Al-Tuwaijri. He was a bit worried by the specific language in the paper, and he wondered why all candidates should be versatile in all issues. In particular, the Board had agreed that while there might be some specialization in the issues of military expenditure, poverty, and the environment, there should not be too many people working on those subjects.

On the environment that the Fund operated in, Mr. Posthumus remarked, while most staff members and Executive Directors considered that the United

States was a great country with great people, perhaps the Fund was not very welcome in the United States. In his first year at the Fund, he had met somebody in the Federal Reserve who had referred to the Fund as a group of "overpaid people sitting in Washington telling developing countries what to do." It was of concern, and unnecessary, that the Fund's welcome in the United States seemed to be fading.

Fixed-term appointments originating from member countries or from specific organizations in member countries might seem to be an ideal way to attract high-level people for a specific period, Mr. Posthumus said. However, care should be taken that the process not become so pointed that certain positions would then tend to be reserved for specific countries.

One experience that reflected past recruitment practice, Mr. Posthumus commented, was that in response to statements, in particular by European Directors, on exchange rate policies, he had found a lack of openness and an unwillingness to discuss the subject on the part of most Departments, including Research, Exchange and Trade Relations, and a majority of the area departments. The subject was not just a European idiosyncrasy, and should be studied on its own merits. That had not yet happened, and he suspected that the reason had something to do with the Fund's personnel policies.

Mr. Zoccali said that at the current stage of the discussion, he would be brief. Like others, he considered that a high-quality staff was the life-line for Fund activity, and he therefore welcomed the increased attention to personnel policy. In that context, he fully endorsed the objectives and the medium-term strategy outlined in management's statement. Like Mr. Prader, however, he considered that the success of the strategy depended on its implementation.

The overriding issue, Mr. Zoccali stated, was how to respond effectively to the demanding needs of the membership and at the same time ease work load pressures, which was of paramount importance in maintaining high staff morale. The recent decision to incorporate additional staff and to undertake some redeployment was a welcome step toward addressing the problem.

Nevertheless, Mr. Zoccali continued, the question of maintaining the quality of the Fund's response and productivity growth was linked to morale and to the efficacy of the recruitment process. With respect to the former, he welcomed the increased attention to personnel matters envisaged at the senior level of each department, as well as the creation of effective channels to monitor developments and improve communications. He hoped that the more personalized links between senior management and staff would lead to the abandonment of the check-list mentality for evaluating contributions, even in the face of pressures affecting front offices on a daily basis. He would also support clearer performance evaluation procedures tied to longer-range planning goals, as Mr. Clark had suggested, on a yearly basis; more professional training, including to enhance managerial skills; greater

prioritization of tasks; and more delegation of responsibilities. He also agreed with the general thrust of Mr. Wright's observations on recruitment, particularly on the overemphasis given to academic credentials to the detriment of other desired qualifications.

Finally, Mr. Zoccali concluded, the broadening in nationality distribution of economist staff since 1980 should also be reflected in the overall representation of developing country nationals in the B grades and of women in total staffing.

The Director of Administration said that the staff welcomed the opportunity to have the discussion on personnel and recruitment policy. The staff had welcomed the opportunity to prepare the supporting papers, which for the first time presented an overview of all elements of personnel policy, outlined how they had developed in recent years, and explained the philosophy that had been motivating the staff and management in developing those policies. The staff had also welcomed the opportunity to articulate its views on some of the challenges and problems that the Fund currently faced, and to try to outline some of the possible responses.

It was perhaps unfortunate, the Director considered, that representatives from the various departments--perhaps the Deputy Directors who would be members of the committee being established by the Deputy Managing Director--had not been present to hear the comments of Executive Directors and perhaps to participate in the discussion. As several speakers had pointed out, the Fund was facing a conflict of objectives in a number of areas, and the best that could be done was to try to achieve an appropriate balance in the institutional response to such conflicts.

Some of the problems faced by the Fund arose from the nature of the institution itself as an international public service organization, the Director remarked. The international character of the Fund meant that it was an institution that was very interesting to work for, but the fact that the staff came from all over the world also led to problems. Staff members tended to become disassociated from their own societies and developed a relationship with the organization in which their expectations of the Fund as an employer went beyond what any employer could reasonably be expected to fulfill. Other problems arose from the nature of the institution's work. Reference had been made, for example, to the fact that the Fund did not give enough responsibility at an early age to its younger staff members. But one should remember the nature of the organization's responsibilities. The World Bank dealt with hundreds of loan projects in the course of a year, each of which was important in itself but which was nowhere close in scope and importance to the economic policy issues that the Fund's missions dealt with in the field. It was therefore very difficult to delegate responsibility, particularly in the form of decision making or dealing directly and negotiating with authorities, to very young and relatively inexperienced staff members. Naturally, therefore, there was a tendency for

such responsibilities to be kept fairly close by the more senior people in each department.

A third set of problems and challenges arose from the "culture" of the institution, the Director observed. For example, on the one hand, staff members understandably wanted as much individual opportunity as possible to advance and be promoted; they looked for quick advancement through the ranks and flexibility in the way that they were treated. On the other hand, there was on the part of many staff members a considerable preoccupation with equality of treatment. Such conflicts arose from the fact that the Fund had a highly professional, highly qualified, and very ambitious staff, and it was impossible to satisfy over time all the aspirations of everyone in that group. Another aspect of the culture of the institution that was referred to in the paper was the conflict between the role of individual departments in selecting and recruiting people who would work for them and in making decisions that were important for the career prospects of those individuals, and the role of the central administration.

Speaking on behalf of the central administration, he would like to see it have more influence over, and perhaps ultimately more responsibility for final decisions than was currently the case, the Director indicated. There was a great tendency, for example, for departments to avoid taking any risks in recruitment. The Administration Department would like to see a willingness to take more risks with individuals, for example, by bringing in people who did not necessarily have all the academic qualifications that departments might regard as optimal but looking more at personal qualities as far as those could be judged in younger people. The Administration Department also had difficulties in achieving the broad nationality distribution that it would regard as optimal for the Fund in a situation where individual departments were ultimately making their own choices on who they would employ. Of course, it was understandable that the departments should take such a position. They were the ones that had to do the work: the department heads and the senior staff were responsible for the product of the department, and they wanted to be satisfied that the people working for them could contribute effectively to that product. In terms of decisions on promotions and performance evaluations, the supervisors were the people who were in most immediate contact with the staff members, and they understandably felt that they were in a much better position to make decisions on those matters than any central administration would be.

The Administration Department, therefore, felt that the primary burden of improving the manner in which personnel management was carried out in the institution and improving the relations between managers and the staff lay with the departments, the Director said. There was an institutional need for more attention to be paid to personnel management issues and a greater value to be placed upon good management. In that latter context, the culture of the institution became relevant once again: promotions throughout a person's career in the Fund were generally made on the basis of technical competence and expertise rather than on the basis of the ability

to manage people. While the administration was increasingly trying to emphasize the importance of the ability to manage people and the potential to manage people well, he did not think that the other departments had been convinced of that importance.

One Executive Director had remarked that the time being spent on performance appraisals was an illustration of the overly bureaucratic demands by the institution, the Director recalled, and he had pointed out that the performance appraisal analysis process was very broad in scope. The Administration encouraged the Fund's managers and supervisors to do much more than just look at how a person had performed during the past year; they should also discuss plans and work objectives for the following period and document such discussions. Supervisors might argue that the resulting documentation was overly bureaucratic, but the Administration had found that if the conversations and views were not adequately recorded, it had no basis for knowing what messages had been conveyed to an individual, or how that individual was really regarded by his supervisors. Another Executive Director had commented that managers saw the performance evaluation exercise as diverting valuable resources from the real work of the Fund. That perception was precisely one of the problems that the Administration faced in attempting to improve personnel management and increase the time devoted to it. Until the Administration could convince managers to change their view that personnel management was not part of their real work, he was skeptical of the prospects for improving the Fund's morale problems.

He agreed personally with the suggestion that management training and evaluation should in due course become mandatory, the Director said, but the Fund had to move slowly on that front because it was certainly not a widely held view among the institution's managers themselves. For that reason, while he did not entirely agree with quite a number of the pessimistic comments made by the Chairman of the SAC, he did agree that it would be premature to suggest that the system of subordinate appraisal of supervisors should become mandatory.

A number of Directors had made the valid point that communications with the staff of the reasons for personnel decisions was a vital element in improving morale, the Director noted. Indeed, a mini-survey on the administrative matters had revealed that perhaps the greatest weakness in communications between supervisors and subordinates was on the reasons for personnel decisions.

Still on the subject of communications, the Director of Administration remarked that the comments of the SAC Chairman would be circulated to the staff. He would like to also issue to the staff the two staff papers currently before the Board, which represented a genuine effort to cover the issues, which had not been done before in such a comprehensive manner.

The Assistant Director from the Administration Department indicated that the staff would certainly follow up on the constructive suggestions

made by Executive Directors during the discussion. The timing of the discussion had been very helpful for the Administration Department, particularly in the recruitment area, where the administration faced a major challenge over the next two or three years. The new economist positions that had been added in the budget and staff demographics, both of which would increase the number of vacancies over the next few years, would require the Fund to expand its mid-career recruitment. Historically, about two thirds of the Fund's mid-career recruits came from public sector institutions. That was an area where administration needed to continue working closely with Executive Directors to identify well-qualified candidates who would both meet the Fund's recruitment needs and address its objectives of nationality and gender diversification.

The nationality distribution statistics showed a greater diversity among economists than noneconomists, the Assistant Director noted. The less diverse nationality distribution of noneconomist staff reflected the fact that, historically, the Fund had emphasized the nationality distribution of economist recruits and paid very little attention to the nationality distribution of noneconomist professional staff. That had been exacerbated by the decision taken by the Fund in the early to mid-1980s to increase significantly the number of contractual employees in the institution and, subsequently, to give those contractual employees access to the Fund's vacancy list system. However, about two or three years previously, the administration had begun to address the nationality distribution of noneconomists. The Fund was now using its recruiting missions to try to identify noneconomist candidates in a number of member countries, and it was doing much more extensive advertising for specific noneconomist professional positions in newspapers and journals around the world. He hoped that over the next several years there would be some demonstrable progress in that area. It would be slow, however, because turnover was somewhat lower for noneconomists than for economists and, therefore, recruitment opportunities were fewer.

More than half of the Directors had expressed support for more extensive work in the area of management training, the Assistant Director noted. He and the rest of the staff in the personnel area, who had been fostering that issue for the past 10 or 15 years, welcomed that support. He would pass on Directors' views to the departments and see whether more could be done in that area. A proposal had recently been drafted that would make management training mandatory for future staff promoted to the Division Chief/Advisor level. However, as the Director of Administration had indicated, it was a proposal that might encounter some difficulty as it moved through the departments, particularly in light of the work load pressures that the institution faced. The work load problem was negatively affecting all of the Fund's training programs, and it accounted for the relatively low participation rate when measured in man-days of staff training. The proposal was by no means the first attempt at improving management development. The program described in the paper was the third major management program that had been introduced in the institution over

the past 15 years. The performance appraisal system currently contained a section that specifically addressed management skills. The various review and selection committees for both promotions and appointments were currently paying increasing attention to the issue of management skills. It had been a slow process over the past 10 or 15 years to try to change the culture of the institution.

The performance appraisal process had a number of objectives, which explained the increased amount of time that was expected to be devoted to that activity, the Assistant Director indicated. In particular, after the Board had decided to adopt the recommendation of the Joint Compensation Committee to place a greater emphasis on merit pay, the staff felt that it was critical to have a performance evaluation system that could objectively differentiate staff members' performance and to provide a basis for those differentiated merit pay decisions being taken at the departmental levels.

The job grading exercise, which had its roots in the Kafka Committee recommendations, had also contributed to an expansion in the performance appraisal system, the Assistant Director said, because of the need to have up-to-date information on job duties and responsibilities as performed by Fund staff. The performance appraisal process was used each year to get staff members to describe their duties and responsibilities, and then to ask their supervisors to ensure the accuracy of that description. Such information was used in part for the job grading procedures. There was also now a budgetary aspect to the performance appraisal system, inasmuch as job content information was used in the budget procedures to provide a more accurate depiction of what in fact individual staff members' positions entailed.

The long-term assessments that several Directors had referred to were much more in-depth, detailed, forward-looking performance appraisals, which were conducted twice in a staff member's career--after four years and eight years of service, the Assistant Director indicated. A number of staff members had found such assessments to be very valuable and had in fact asked the Administration Department to increase their frequency. The constraint on doing so was one of time, both in terms of personnel resources, because the personnel staff became very involved in those assessments, and also the time of the managers and supervisors who needed to participate actively in the long-term assessments.

The subordinate appraisal of supervisors was a very experimental program, only about one year old, the Assistant Director emphasized. The Fund was at the forefront in that context; very few organizations other than academic institutions conducted subordinate appraisals of supervisors. Such evaluations were highly sensitive, particularly in a multicultural setting, and they had to be approached very carefully. The Fund ought to have much more experience with them before it considered introducing mandatory appraisals of supervisors by subordinates. At the moment, subordinate appraisals of supervisors were entirely confidential and only the supervisor

on whom the appraisal was done actually received the information and the input from them.

Several Directors had expressed support for more external assignment opportunities, the Assistant Director noted. The staff in personnel very much shared that view, considering that external assignments were among the most valuable career development opportunities that Fund staff members could avail themselves of, particularly for those who joined through the Economist Program and who entered the Fund with relatively limited outside work experience. Some efforts had already been made in that area. The Board had recently approved a doubling of the ceiling of staff members who could be on external assignments for professional and career development at any one time from 10 to 20 staff, and at the moment the Fund was very close to that ceiling of 20. The fact that the number of resident representative positions and technical assistance assignments had expanded over the past several years had been helpful, because such external assignments were also valuable from a career development perspective. There was currently a budgetary ceiling of five slots in any given year for sabbatical leave opportunities, and that program was being fully utilized. The Administration might well come to the Board sometime in the next 12 months to seek an expansion in that program, which it felt had a good deal of value for many staff members. In all the above-mentioned areas, the Personnel Division faced the understandable difficulties that many supervisors had in releasing their staff to participate in such career development opportunities in the face of work load pressures.

There had probably been no issue connected with the Economist Program that had been more debated over the years than the question of academic qualifications, the Assistant Director stated. He pointed out, however, that the tables in the staff paper revealed a reasonable balance in academic qualifications. In the Economist Program, about two thirds of the participants over the past decade had entered the Fund with completed Ph.D. degrees. On the other hand, of the mid-career economist staff, which represented at least half of the Fund's economist recruits, only about one third had completed Ph.D. degrees. Overall, only about half of the economist staff had completed Ph.D. degrees, while the other half had a variety of Bachelor's degrees or Master's degrees. The diversity of academic qualifications was reflective of the diversity of the staff and the diversity of the Fund's needs.

While it had been suggested that the Ph.D. degree differed from most Master's degrees only in the dissertation, the dissertation itself had a good deal of value for the type of work that was done in the Fund, the Assistant Director noted. It showed that a person had enough self-discipline to be willing to commit himself to one or two years to produce a major study, which was in many ways not dissimilar to many of the Board documents that staff members were asked to prepare once they joined the institution. A second value to the degree was simply that many excellent economists who pursued graduate work in economics went on for Ph.D. degrees, and if the

Fund wanted access to that subgroup of economists, it had to recruit at the Ph.D. level. That by no means implied that there were not good economists who did not go on for their Ph.D. As Mr. Wright and Mr. Tabata had indicated, in their two countries it was not the usual practice for individuals to do so. A third advantage to the Ph.D., at least in the context of Economist Program recruitment, was that it provided the Fund with candidates who were somewhat more mature in terms of age. In addition, the Fund was less able to obtain accurate judgments from the references of applicants with only a B.A. or an M.A., partly because they were younger, and partly because their professors had less opportunity to observe their work than would be the case with someone who had spent several years at the graduate level. Those were some practical considerations that supported the practice that had evolved. However, the Ph.D. was by no means an all-exclusive club: the Fund recruited candidates all around the world for the Economist Program, it brought in many candidates below the Ph.D. level, and it would continue to do that in the future.

The Personnel Division by and large supported the views of Executive Directors on the use of research assistants, the Assistant Director indicated. Each year, through the budget process, departments had an opportunity both to request new research assistants and to convert existing economist positions into research assistant slots. Indeed, the departments were encouraged by the budget and personnel staffs and by management to move in that general direction. The statistics suggested that that was in fact the trend: the Fund had moved from 33 research assistants in 1980 to 75 in 1991, which represented an increase from about 6 percent of the economist staff to about 10 percent. The 10 percent figure was a bit misleading, because it was based on the total economist population A9 through B5 through department directors, while research assistants worked largely with economist staff up to the A15 level. On that basis, the ratio was probably closer to 15 percent of the economist staff, which translated to about one research assistant in the Fund for every seven economists. Given that on any given day probably two out of seven economists were on mission, the ratio could be reduced further to about one to five. That did not mean that 75 research assistants was the upper limit. Administration would continue to encourage departments to move in the direction of more research assistants if they felt that that was helpful to their work. Nevertheless, there was some basis in the current statistics to suggest that the current proportion might not be far out of line.

On the issue raised by Mr. Clark of supervisors not delegating a sufficient amount, the Assistant Director from the Administration Department said that that was a view fully shared by the administration. In the process of trying to change the institutional culture toward placing greater emphasis on management skills, the administration had stressed the issue of delegation. From an historical perspective over the past 10 or 15 years, delegation had increased. One of the most obvious areas was in the role of the mission leader. In the early 1970s, no one below the Division Chief/Advisor level led missions, while currently many staff at the Senior

Economist/Deputy Division Chief level did so. In fact, some economists even at the A13 level led technical assistance missions. That was a healthy development, and one which he hoped would be expanded into other areas of the Fund's work.

The Acting Chairman remarked that the negative side to such a development was that the more junior the person leading the mission, the less weight that person carried when he had to deal with high-level officials in the finance ministries or central banks. In addition, cases where the staff did not seem to be responding fully to Directors' questions in the Board tended to arise when a relatively junior person was in the chair. It took time to develop fully the maturity necessary to deal in an open and free way with some of the issues that arose in the Board. Thus, the delegation of responsibility itself had consequences that were not always desirable.

Mr. Clark remarked that if one delegated at an earlier stage, individuals learned to accept the delegation and the attendant responsibility to make decisions. As a person progressed up the career ladder into more senior positions, human capital was being developed, so that when that person was at the Board or dealing with a senior government official, he had the breadth of experience and the confidence to manage the situation appropriately. Such an ability was not achieved simply by aging: it had to be acquired. He considered it very important that the process of taking on responsibility begin fairly early on in one's career. There seemed to be an attitude in the Fund that personnel management was not important, but a manager should be paid to manage, and not to be the best economist around.

He was very concerned about the issue of personnel training, Mr. Clark continued. While many Directors had emphasized the importance of the issue, the Director of Administration had indicated that one had to proceed slowly. He urged management to move very quickly to make management training mandatory. He realized that some people would say that they were too busy to take on such training, but such excuses never disappeared. Work load should not be allowed to preempt such training.

Similarly, Executive Directors had expressed the view that the long-term performance reviews were very useful and that their frequency should be stepped up, Mr. Clark recalled, but the response of the administration had been that more frequent reviews would be difficult. That was symptomatic of the view that management was not important. The culture of the institution did need to change: managers should feel that managing was important, and that it was the younger staff members who were paid to be topnotch economists.

The Acting Chairman said that the issue on which one found the strongest debate among staff and senior managers was whether management meant handling other people or delivering the product. He considered that both were important. The emphasis in the Fund had traditionally been on delivering the product. That bias clearly was at a cost to personnel

issues. In setting up the Advisory Personnel Committee, for example, he had found in some departments resistance to the idea of assigning to a senior person in the department broad responsibility for personnel issues. It was felt that in order to maintain the interest and involvement of the senior staff, those people needed to be involved in the substance of the work in terms of delivering the product. Long discussions had been conducted about how to achieve the balance between delivering the product and taking on responsibilities for personnel issues. In the World Bank, for example, there were individuals who had sole and primary responsibility within the departments for handling managerial--in the sense of administrative, personnel, and budgeting--issues. There had been strong resistance to that in the Fund, because people at the senior level did not want to be taken out of operational work.

Mr. Clark remarked that there was not a tradeoff between managing people and delivering the product. Managing people meant that one was delivering the product. If someone at a senior level wanted to be more involved in substance, they should not be part of management. Managing people meant setting priorities, allocating resources, and dealing with the people; those were the responsibilities of a manager. If human resources were not managed to the extent that they should be, the overall institution suffered from it. He considered it essential that the Fund change the view that management was somehow second in importance to substance.

The Acting Chairman said that he and the Managing Director had been emphasizing that point over the past year in the context of a variety of issues. It was important to have a broader perspective when managing a department, viewing management of the department in the context of the larger institutional requirements. But delegating downward was made more difficult because member countries expected missions to be led by a senior-level person who could handle the substance of discussions in some depth. There were differences among regions in that view: in some regions it was sometimes necessary that surveillance or Article IV discussions be concluded by a Deputy Director or even a department head, while in other regions that was not so necessary. It was, in general, very difficult for Fund managers to delegate such responsibility down, because their involvement was expected by the member countries themselves.

Mr. Wright remarked that there was not much one could do about the differing expectations of different cultures. However, the Fund should take the lead in gradually trying to change those expectations. He strongly agreed with Mr. Clark. The dichotomy between managing the product and managing the people was actually a false one. It presumed that one inserted inputs into a black box, out of which came an Article IV consultation. The impact on productivity of poor management might not be a linear decline, but rather could be a rapid deterioration in quality. On the other hand, improved management would either lead to the production of a better product with the same number of people or the same product with fewer people. He, like Mr. Clark, had heard arguments to the tune that delegation took longer

than doing a task oneself; such arguments were fallacious. There was a great deal of value in giving staff members autonomy and delegating responsibilities to them.

The Fund seemed to be unable to decide whether it should be a highly centralized institution or decentralized, Mr. Wright noted. For example, the budget was a monolithic structure, and departments did not have autonomy over the use of their own resources, both human and otherwise. The fact that the institution was rather highly centralized, as reflected, for example, in the fact that the Administration Department was large and relatively powerful, immediately raised a number of conflicts. On the one hand, Directors were in favor of mobility of staff, and centralized institutions were good at promoting mobility. On the other hand, centralized structures perpetrated the belief that management was the purview of the Administration Department and not of the senior staff in general. To take responsibility for difficult decisions, such as refusing someone a promotion, was not as easy as blaming the decision on a distant administration department.

He endorsed all that had been said about trying to change the culture of the institution, in particular by imposing management training, Mr. Wright said. For example, managers should spend a great deal of time on appraising staff, and he would be surprised and dismayed if anyone was allowed to appraise staff without taking a course to learn how to do so.

The Acting Chairman remarked that the Fund was centralized in some ways, but also highly decentralized in others. He had had long discussions with the Ombudsman, who considered that more decisions should be centralized in the Administration Department. The Ombudsman felt that the individual departments had too much power over appointments and promotions and the treatment of individuals, and that the Administration Department should be given more authority to override that decentralization. For example, in a recent case, a relatively low-level vacancy had opened up, for which ten candidates from within the Fund had applied, five or six of whom the Administration Department had felt were viable candidates. Nevertheless, the department in which the vacancy had arisen had decided to hire an outside candidate.

Mr. Wright remarked that in some cases he had in fact argued against decentralization, which imposed considerable burdens on local managers. The one point he would make was that whatever one felt about the merits of decentralization, it could not be achieved without decentralization of budgets. Then, a division or department could make their own decisions but they would not be bailed out if they made mistakes, such as hiring the wrong person.

Mr. Spencer said that he agreed that there were grounds for centralization of some decisions. However, his general impression was that in the Fund there were more grounds for decentralization than for centralization.

The suggestion had been made by previous speakers that more centralization was appropriate in recruitment, but he felt that the decentralization of recruitment was a positive aspect of Fund management. Managers could not be expected to be accountable if they were forced to use resources that they had not selected themselves. Recruitment decisions should be made at the deputy department head or the division chief level.

The desirable manager was someone who could strike a balance between managing his staff and delivering the product, Mr. Spencer considered. In the institution that he had come from, there had been a rule of thumb that the time of a manager should be equally divided between those two functions. He saw a certain danger in the appointment of the recently designated departmental representatives, because he did not feel one person should spend all his time taking care of a department's personnel problems. The management function should be mainly delivered through the line management structure. There might be a role for the departmental representative to spend some of his time on training programs, for example, but he would certainly not see that as something that would take up a majority of a person's time.

The Acting Chairman said that the idea was that the departmental representative would spend a portion of his time overseeing the personnel functions, but that many of the specific functions would be delegated down to lower levels. However, there was a need to have someone below the department head level who had a broad view of personnel issues and the interrelationships between them, as well as being able to present a departmental view when meeting with representatives of other departments on general Fund policy.

Mr. Prader commented that, in his statement, he had not meant to speak against performance appraisal procedures. Rather, he had been reflecting sentiments prevailing in the staff about the scope of those procedures. While he accepted the principle behind those procedures, it was their scope that was alarming.

The Director of Administration said that one had to be careful about drawing analogies between the work that was done in a central bank or ministry of finance and that done in the Fund, where the work required leaving one's desk and spending weeks visiting countries and talking with government officials. The very fact that one had to leave one's desk to produce the product meant that the time that was left to perform other aspects of management was significantly reduced. In fact, outsiders who had observed the demands placed upon the division chiefs, who were the primary supervisors throughout the institution, had commented that those demands were excessive. When one added the demands of personnel management, an adverse reaction from many of the division chiefs was inevitable. Perhaps delegation was the answer, or perhaps the solution was to have more division chiefs. However, there were understandable objections to proliferating the

number of positions at the division chief level. There was no ideal solution.

The Assistant Director from the Administration Department indicated that the Working Group on Communications with Staff was a task force set up for a finite period of time to make recommendations on strengthening communications. It was composed of Fund staff and was fairly equally distributed between senior staff, professional staff, and support staff. It included the Chairman of the Staff Association Committee and one external consultant. The Advisory Committee on Personnel Matters, on the other hand, was a standing committee permanent in nature, and was not representative. It was composed of one senior staff member, largely at the department director level, from each department in the Fund.

As he understood, Mr. Mirakhor had thought that the Fund had no professional staff with training in the personnel area, the Assistant Director noted. In fact, 6 of the 15 personnel professionals had graduate degrees in human resource management and personnel management.

The staff would provide a breakdown by department of the proportion of staff members from developing countries bilaterally to Mr. Al-Tuwaijri, the Assistant Director indicated, since that information was not immediately available.

Resident representatives were assessed by the division chief of the division that included that country, the Assistant Director from the Administration Department said. That assessment was based on the performance of the resident representative as observed by the division chief both on missions to the country and in the correspondence and reports that were received at headquarters from the resident representative. It also sometimes took into account general remarks that might have been made by member country officials regarding the particular contributions, or lack thereof, made by the representative in the country.

The staff representative from the Administration Department said that on the subject of nationality distribution, recruitment of noneconomist Program economists from developing countries had been rising, with the proportion of Economist Program recruits from developing countries remaining fairly constant at about 37 to 40 percent. In fact, in 1990, over 50 percent of the EP recruits had been from developing countries. That had resulted, as shown in Table 6 of the recruitment paper, in considerable progress in the representation of nationals from African and Latin American countries over the past two decades. Representation from Asian countries had remained about even during that period, while the representation of nationals from European countries had declined. Of great concern was the alarmingly low representation of nationals from the Middle East countries. The staff hoped that during the next year or so the recruitment measures presented on pages 14 and 15 of the paper would yield positive results. To that end, the staff would be relying very much on the guidance and assis-

tance of the authorities in member countries, both in helping to identify candidates and, once they had been identified, in showing a willingness to release them to the Fund.

The Summer Intern Program was a useful source of recruitment or potential recruitment for the Economist Program, which was why the staff had been paying particularly close attention to trying to bring in participants from as broad a background as possible, the staff representative said. Over the past three years, close to 50 percent of the participants in the summer intern program had come from a broad range of developing countries, and a large number had come from European countries. At least half of the summer interns came from non-U.S. universities, particularly universities in continental Europe.

On the topic of Anglo-American universities, efforts were being made and would continue to be made to diversify the Fund's sources of university recruitment, the staff representative said. There, too, some progress was being made, particularly in European countries. In reference to Mr. Goos's concern, the staff had certainly not meant to imply in the recruitment paper that non-Anglo American universities were not producing sufficiently qualified candidates. On the contrary, the point was made that an increasing number of universities in those countries were providing advanced training in economics. In the case of Germany, for example, the staff had had considerable success in building up university contacts and had recruited quite a number of both Economist Program participants and summer interns in recent years.

Language qualifications other than English were taken into account in the Fund's recruitment, the staff representative indicated. In recent years, members of the Economist Committee had been paying particularly close attention to candidates with languages other than English, and those Economist Program participants who did not have other language skills were expected to begin language training soon after they joined the Fund.

The question had been raised of how the Fund assessed the personnel leadership qualities and diplomatic skills of candidates, the staff representative recalled. One important tool of assessment was the interview. Besides gauging the technical competence of candidates, the interview was also used to elicit information on candidates' previous background, including positions of responsibility that they had held as well as their motivation for wanting to join the Fund. Interviewers paid close attention to how candidates conducted themselves, how they responded to questions, and how they conveyed their ideas. Invariably, each candidate participated in several interviews by different staff, so that there was an opportunity for the interviewers to pool their ideas and to exchange views on their assessment of the candidates' technical and personal skills. Another important input was the candidate's references. When the Fund sent requests for references to academic referees or previous employers, it specifically asked for an assessment of the individual's personnel characteristics, the

person's ability to work in a team, and a number of other factors. Then there was the resume itself, which provided a fair amount of information on what a person had been doing in terms of working in a team setting or undertaking tasks that had required the person to organize a project or a piece of work. Ultimately, however, the individual person's qualifications, including his or her leadership abilities, could really only be thoroughly assessed on the job. It was largely recognition of that fact that had prompted the Personnel Division, several years previously, to introduce the concept of fixed-term appointments for recruitment in grades A-9 and above. During the period of fixed-term appointments, supervisors assessed very carefully the interpersonal and leadership skills of their staff.

It was true that, on average, Economist Program participants in 1990 had had only one year of work experience when they joined the Fund, the staff representative from the Administration Department indicated. More typically, however, Economist Program participants tended to join with an average of two or three years' experience, which reflected the fact that most of them completed their graduate work around the age of 26 or 27, while the average age at which they joined the Fund was about 28 or 29 years. The Fund's definition of work experience did not include research or teaching assistantships or other temporary or part-time jobs that individuals held while at university, but rather applied only to relevant outside work experience.

Mr. Kyriazidis observed that, in 1990, the Economist Program had been even more absolutely oriented toward Anglo-Saxon universities than it appeared from the figures in the recruitment paper. The two individuals who had come from universities in other than the United States, United Kingdom, Australia, and New Zealand had come from universities in Canada, so that the Anglo-Saxon bias in fact applied to 100 percent of the Economist Program participants in 1990. He wondered whether there had been a real effort to diversity recruitment in the economist program.

Mr. Wright commented that using the term "Anglo-Saxon" hid an apparent bias in favor of recruits from American universities, which was revealed when the figures were disaggregated. From 1980-1984, 13 out of 17 of the Economist Program entrants who had received their highest degree from the United States, the United Kingdom, and Canada were from U.S. universities. In 1990, the figure had been 19 out of 23. The issue had nothing to do with the nationality of the recruits, but seemed to reveal a sort of cultural stereotyping, in which the staff seemed to be seeking a typical American Ph.D. graduate.

Mr. Mirakhor asked why no recruitment visits to the Middle East were scheduled for the coming year, given that the staff had acknowledged the difficulty of recruiting in that region.

The staff representative from the Administration Department said that a recruiting mission to several Middle East countries in 1990 had

unfortunately yielded very few candidates. A similar question had been raised with respect to African recruitment. The staff was open to proposals to visit countries where there were likely to be some suitably qualified candidates. It greatly facilitated recruitment planning and made for much more productive efforts if the staff received some indication in advance of whether there would indeed be candidates in a particular country and whether the member country concerned was prepared to release those candidates. There had been occasions when a recruitment mission had gone to a country and no candidates at all had come forward.

Mr. Mirakhor said that his office would be available for such assistance on the countries from his constituency that were in North Africa and the Middle East.

The Acting Chairman then made the following concluding remarks:

Executive Directors agreed on the general key objectives of Fund personnel policy as set out in the staff paper. Directors stressed the objective of enhancing the staff's work environment. Speakers also agreed with the broad thrust of the personnel strategies to be pursued over the medium term.

Several Directors emphasized the importance of prioritizing the Fund's work so as to relieve work load pressures on individual staff members. That should be done in the context of a fundamental review of the Fund's activities, as well as on a day-to-day basis.

There were no calls for major changes in the Fund's approach to compensation, which did not seem to be a major constraint to attracting and retaining staff. However, Executive Directors viewed the limitation of employment opportunities for G-IV spouses as a significant problem. The Fund will have to work on improving such opportunities both through its contacts with the U.S. authorities and by helping spouses to find work in Washington. As it becomes more common for both husband and wife to have careers, individual decisions will increasingly be made on the basis of whether both can find jobs in Washington. That will naturally be more difficult for G-IV couples.

Executive Directors stressed the need to give more priority to personnel management in the day-to-day work of managers at all levels. That is a theme that both the Managing Director and I have emphasized in discussions with the Departments. It is essential that a balance be maintained between the needs of the individuals involved and those of the Fund.

Executive Directors strongly supported maintaining and strengthening staff development policies so as to ensure a diverse

and motivated staff, with particular emphasis on expanding access to education and training. In particular, many Directors considered that managerial training, with special attention to personnel issues, ought to be a requirement for promotion to managerial levels. The need for training for support staff who had to adapt to changing automation requirements was mentioned by some Directors.

There were mixed views on the performance appraisal process. A basic issue in this area is the tradeoff between clarity and the fact that since the Fund is a multicultural institution, some individual staff members find it difficult to accept or to offer explicit criticism. Many staff members prefer such messages to be conveyed indirectly, which makes it difficult to achieve uniformity and transparency of appraisals across departments. Some Directors mentioned that more emphasis on training people--in how to both give and receive performance evaluations--was in order. More thought should perhaps be given to that possibility. There was strong support for mobility, both within the institution and externally, including assignments to the World Bank or to national governments to gain external experience. It was also suggested that where an individual performance was in question--and reference was made in particular to longer-serving staff who show weaknesses in performance--individuals should be transferred, to the extent possible, to permit an alternative assessment by other supervisors.

Speakers emphasized the need for improved two-way communication, an important part of which was the bilateral personal communication between supervisors and subordinates. The SAC Chairman has made the point quite emphatically that a wide gap exists between the A-level staff and the B-level staff. Sometimes in the press of work, it is easy to take support staff for granted and not keep them informed about what is happening or consider their own work pressures. Directors also stressed--and rightly so--that the system should not be overloaded with excessive circulars, which could be counterproductive. The report of the communications committee will be welcome, however, because much information in the institution cannot be communicated purely on a bilateral basis without distorting the message as it proceeds down the chain of command.

Some Directors mentioned the recent discussions on the Administrative Tribunal. Management has been seeking a relatively straightforward way to explain to the staff at large the complex issues, many of which are still outstanding in the Board discussions.

Recruitment was the dominant focus of many Directors' interventions. Executive Directors placed priority on maintaining quality, and then achieving broad geographic distribution. The SAC Chairman stressed the importance of recruiting more women in the institution, and creating promotion opportunities on a broadly geographic basis so that there would be a reasonably good geographic distribution of staff at all levels. That becomes more difficult as one moves up the grade ladder because there are fewer jobs within which the desirable regional balance can be achieved. But the effort must be made.

There was extensive discussion on the appropriate academic and work experience requirements for economists, but not necessarily a consensus. A number of Directors strongly supported the use of midcareer appointments. Speakers pointed out that the Fund needs to look for ways to reach out to universities in a variety of countries. Another way of increasing the pool of potential recruits would be to provide training in economics that would be relevant to the work at the Fund where that is the constraint, or to provide language training to the extent that lack of complete facility in English might make it difficult for somebody from a non-English-speaking university, though with a good economics background, to be a viable candidate. Accordingly, the Fund will have to give more thought to training at the entry level, and to devote resources to that end.

A number of Directors made the point that staff members' qualifications should be more effectively used in the tasks that they are assigned--for example, by using research assistants to perform some work currently being done by economists, such as managing databases. That is increasingly being done. In some countries, particularly those with ESAF arrangements, the data take an enormous amount of staff time, because the mission often actually assembles the database for the country. That burden can in part be handled by research assistants. Management has also been trying to address that problem by having the Statistics Department reorient its work toward supporting the building of databases within such countries. But even in those countries that have relatively sophisticated databases, there are differences of view among the staff on the extent to which professional staff should become involved in working with the data. While there has to be a balance, it is important that somebody giving policy advice be involved with the data in some depth, so as to understand the quality of the data underlying important judgments concerning performance criteria and the like.

On the issue of hiring economists with advanced training in economics, an important consideration is that, increasingly, the staff's counterparts in national governments--even at the junior

levels--often have a high degree of economic training. That is particularly true in the industrialized countries and in some of the middle-income developing countries. While in many of the lower-income countries advanced economic training may not always be necessary, it is important to avoid a dichotomy between those who work on developing countries and those who work on the more advanced industrial countries. Mobility across departments, including between developing country and industrial country issues, is an important principle of Fund personnel policy. Thus, when someone is recruited, it is expected that that person would be able to work on any country.

A number of speakers raised the question of whether appointments for department heads should be for fixed three-year appointments. The Managing Director does not have rigid three-year appointments in mind. Rather, the intention is that department heads should not feel that they are excluded from the possibility of mobility, and that after a period of about three years, positions would be reviewed so as to take advantage of any opportunities, where appropriate, for shifting department heads around.

Executive Directors also raised the question of how staff members with specialized skills, for example on poverty or the environment, would be incorporated into the institution. The general practice has been to bring in generalists, some of whom have an expertise in a particular area--such as central banking, fiscal affairs, or statistics--that they can bring to their work in the institution, which might place them for most of their career in a particular functional department. In the environmental area, for example, the Fund will be hiring economists with a broad background, including knowledge of environment issues, rather than individuals specializing on some environmental subjects. There is certainly no intention to build up cadres of highly specialized skills within the institution. Where specialized skills are required, such skills will be drawn from other institutions to the extent possible.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/91/104 (7/31/91, a.m.) and EBM/91/105 (7/31/91).

2. SFF SUBSIDY ACCOUNT - ADDITIONAL SUBSIDY PAYMENTS FOR
MAY 1-JUNE 30, 1990 AND SUBSIDY PAYMENTS FOR JULY 1, 1990-
JUNE 30, 1991

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period May 1, 1990 through June 30, 1990, in the amount indicated to each of the eligible members as listed in Column 2 of Table 2 in EBS/91/123.

2. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1990 through June 30, 1991, in the amount indicated to each of the eligible members as listed in Column 5 of Table 2 in EBS/91/123.

3. The subsidy payments shall be made to each eligible member on July 31, 1991.

Decision No. 9788-(91/105), adopted
July 31, 1991

APPROVED: January 17, 1992

LEO VAN HOUTVEN
Secretary