

**Statement by the Managing Director on the
Management Implementation Plan
for the IEO Report on the Fund's Performance in the Run-Up to the Crisis
Executive Board Meeting
May 25, 2012**

The Management Implementation Plan puts forward a range of measures crucial to strengthening surveillance, carefully drawing on the IEO's report and on the Triennial Surveillance Review (TSR). Yet stronger surveillance cannot be cast simply in terms of technical processes, such as those for better data, risk assessments, macro-financial integration, or messaging. Deeper and more difficult questions of institutional culture, of how we conduct our daily work, are also at play, and these too need to be answered. I will focus on two aspects of the task at hand: (1) breaking down silos; and (2) promoting diverse views/candor. I would like to share with you today some initiatives that the management team has sought to implement over the past nine months, to go over the initial results, and to propose a way forward with what remains to be done¹.

1. Breaking down silos

While Fund staff generally work cooperatively across departments, I see scope for more departmental collaboration and accountability around a set of *institutional* priorities. We have taken the following initiatives to counter the centrifugal forces at work:

- First, each department head has agreed to an accountability framework, consisting of annual output goals, budget, and personnel objectives agreed with management, with the aim of aligning departmental and institutional priorities. The brief and pointed clarity of agreed deliverables should incentivize coherence in staff efforts across departments; output goals specifically flag collaborative efforts, so that the latter receive the prominence and recognition they deserve.
- Second, the budget process has been made more consultative. With management taking the time to assess different needs and points of view, and to find compromises, the proposed budget embodies greater collective ownership.
- Third, to encourage cross-fertilization of staff ideas, experience and perspectives, management is now more actively engaged in organizing mobility at the deputy director level across departments, and new policies are being put in place to encourage long-immobile staff to move across departments.
- Fourth, a new process is in place for key policy and cross-country papers, with initial and interim meetings of management and departments to air diverse views

¹Table 2 summarizes other actions taken in the Management Implementation Plan.

at earlier stages. The new process—e.g., used for papers on interconnectedness, the surveillance decision and the External Sector Report—is seen by senior staff to have materially strengthened ownership and collaboration. Mechanisms for more intensive consultation among area departments on country issues will also be considered.

- Fifth, there is more commitment to using cross-departmental teams to produce analysis—e.g., the upcoming Spillover Report and the External Sector Report.
- Finally, and more subtly, we are also looking to adapt the physical environment to promote collaboration—e.g., the HQ1 renovation project emphasizes team spaces.

We cannot pretend that the above will solve the problem of bureaucratic walls, which is as old as bureaucracy itself, and has ways of shifting and reappearing. The effort is always a work in progress, requiring regular monitoring—a point I will return to.

2. Encouraging diverse views and candor

The challenge of encouraging diverse thinking and ensuring that we “speak truth to power”—I prefer “speaking up to power” over the IEO’s phrase—is closely related to the task of breaking down silos. We have identified the following priorities in this area:

- First, if we are to avoid “groupthink,” we must access alternative perspectives outside the institution, as the management implementation plan proposes.
- But ultimately we must be able to tap diverse opinion inside the institution, which highlights the goal of staff diversity. We have put in place (1) an initiative to hire senior managers from diverse backgrounds; (2) a mandate for gender parity in recruitment at the professional levels; and (3) efforts to build a strong pipeline of candidates from underrepresented regions for senior positions. We will improve processes for recruiting and integrating staff with outside experience.
- As regards speaking up to management, a new statement of workplace values is being developed to guide desired behavioral changes, especially for senior staff where the constraints may seem greater, and who need to lead by example. In addition, work is underway on a leadership development framework that will clarify expectations at senior levels. We will also seek to ensure that the voices of more, and more junior, staff are heard at the top of the institution.
- As regards speaking up to members, staff is expected to be candid with country authorities, while staying tactful in public. Errors brought to our attention will be corrected, but this management team will stand behind staff in all other cases.
- To monitor progress with this agenda, staff surveys on two-year cycles will help us understand if these efforts are working and help us identify problem areas.

Progress to date

Management has engaged outside organizational consultants to check the institution’s pulse at the department Director/Deputy Director level and to report on how the recent initiatives are faring. Some results are encouraging: senior staff report a step increase in teamwork and coherence, especially with regard to budgeting, multilateral surveillance,

and policy development. But there is also a sense that more progress is needed in the collaboration process for programs in crisis countries and the flagship reports. And while the participation of department heads only at key meetings has yielded a more cohesive group of department heads, many senior staff worry that this may have come at the cost of diminishing contrarian voices at the top of the institution. Thus, we cannot be complacent in our efforts to support collaboration and open debate.

Monitoring

Finally, we must recognize that institutional change is a continuous process. The usual IEO Periodic Monitoring Report captures some of the key findings, but may not be assessing the more intangible goals we need to achieve. Therefore, in addition to that process, I propose that we return in a year's time to the issues raised here and summarized in the attached Table 1. It would make sense to do so in an informal setting, perhaps at a Board retreat, to tease out the difficult issues, including any that relate to the role of the Board in supporting change. Of course, I am open to alternative suggestions from Executive Directors and look forward to the upcoming discussion.

TABLE 1: INSTITUTIONAL CULTURE: AN AGENDA FOR PROGRESS

Action/Goal	Timing/Status
#1 INTER-DEPARTMENTAL COLLABORATION: AVOIDING SILOS	
• Align departmental and corporate objectives	- Q4 2011: Introduced new accountability framework and new department budget process
• More consultative budget process	- FY2013: Proposed budget embodies greater collective ownership
• Increase interdepartmental mobility	- Q4 2011: Overseen by management for senior/managerial staff - Q1 2013: New mobility guidelines for economists
• Promote full airing of views early in process	- Q4 2011: Interdepartmental meetings with management for policy papers at key milestones
• Increase use of cross-departmental teams	- Jan 2012: Started with Spillover and External Sector Reports; to be used more broadly
• More team/collaborative spaces	- Jan 2013: HQ1 re-modeling to build in this goal
• Verify progress	- Feb 2012: Consultants hired to analyze and discuss progress with department heads
#2 ENCOURAGING DIVERSE VIEWS AND CANDOR	
• Avoiding groupthink	- October 2011: TSR included external views; other policy reviews will also aim to do so
• Increase diversity, professional and other	A series of Board briefings on strategic HR issues: - March 2012: Compensation, recruitment/retention - July 2012: Next review of progress on diversity - Q4 2012: Corporate workforce planning
• Encourage staff to raise critical issues with management, Board, and country authorities	- June 2012: The statement of workplace values to be finalized - Q4 2012 : Report from Steering Committee on Leadership Development on the role and mandate of B5s and B4s
• Verify progress	- Q1 2013: Next staff survey will check progress.

TABLE 2: SUMMARY OF OTHER ACTIONS IN SM/12/31 (MANAGEMENT IMPLEMENTATION PLAN)

Action/Goal	Timing/Status
#1 ENCOURAGING CANDOR AND DIVERSE VIEWS	
<ul style="list-style-type: none"> Fuller discussion of risks and spillovers in Article IV's and WEO 	<ul style="list-style-type: none"> - April 2012: WEO will provide fuller discussion - March 2012: New guidance for Article IV's
<ul style="list-style-type: none"> Multilateral surveillance tools (Early Warning Exercise, Vulnerability Exercises etc.) used systematically in Article IV discussions 	<ul style="list-style-type: none"> - Oct 2011: Review process modified; regular verification of adherence
<ul style="list-style-type: none"> Explore scope for better reflecting minority/dissenting views in Board communications 	<ul style="list-style-type: none"> - March 2012: Board Working Group on Summing Ups established
<ul style="list-style-type: none"> Seek external views in policy discussions 	<ul style="list-style-type: none"> - October 2011: TSR included external views; other policy reviews will also aim to do so
#3 INTEGRATING MACRO FINANCIAL	
<ul style="list-style-type: none"> Strengthen coverage of financial sector issues 	<ul style="list-style-type: none"> - Sept 2012: Follow up with strategic plan for financial sector surveillance
<ul style="list-style-type: none"> Reallocate resources for financial sector issues. 	<ul style="list-style-type: none"> - October 2011: A financial expert will join at least all systemically important Article IVs
#5 CLEAR AND CONSISTENT MESSAGING ON OUTLOOK/RISKS	
<ul style="list-style-type: none"> Ensure the IMF's overall assessment of outlook and risks is consistent, comprehensive 	<ul style="list-style-type: none"> - Sept 2011: Initiate Consolidated Multilateral Surveillance Reports to distill key messages
<ul style="list-style-type: none"> Create a risk focus in all surveillance output 	<ul style="list-style-type: none"> - April 2012: Greater attention to risk in WEOs; all surveillance will have enhanced clarity on risks