EXECUTIVE SUMMARY

The IMF and World Bank have a long, shared history and closely connected mandates. Effective collaboration between the two is important for the quality, traction, and efficiency of both institutions, and the value they provide to their membership. Since the Global Financial Crisis, the Fund's increasing coverage of macro-structural issues—traditionally areas of expertise of the Bank, the Organisation for Economic Co-operation and Development (OECD) and other international organizations—has brought renewed attention to collaboration, in part with a view to help the IMF mitigate resource pressures as it has taken on a widening range of issues.

This evaluation aims to assess how effective the IMF has been in collaborating with the World Bank in terms of raising the quality and influence of its work on macro-structural issues and containing costs. It focuses in particular on IMF pilot initiatives to enhance coverage of inequality, gender, energy/climate, and macro-structural reforms in Article IV surveillance. It draws lessons on how to achieve sustainable improvements in Fund collaboration with the Bank and other international organizations on macro-structural issues more broadly and offers four recommendations, which can provide input to the Fund's 2020 Comprehensive Surveillance Review. The evaluation is not intended as a comprehensive assessment of all aspects of Bank-Fund collaboration or as an assessment of the appropriateness, quality, and impact of the Fund's work on macro-structural issues per se, taking as given that the Fund needs to pay attention to structural issues with critical macro-economic consequences.

KEY FINDINGS

Overall, Bank-Fund collaboration on macro-structural issues has been broad, but uneven. While informal consultation is widespread, initial aspirations that the Fund would be able to systematically leverage Bank expertise proved over-optimistic, and we found relatively few examples of in-depth collaboration. The Fund's work on macro-structural issues is generally well regarded by outside experts, but there is little evidence that its value and impact have been greatly enhanced by collaboration with the Bank or that such collaboration contributed

significantly to containing costs. In addition, we found cases of mixed messages from the Fund and Bank on some shared issues which potentially undermined the impact of each institution and of missed opportunities to identify and exploit synergies which could have enhanced the value added of Fund work. Benefits of collaboration have been clearer in some cases when the Fund formed partnerships with other institutions.

The unevenness of Bank-Fund collaboration on macro-structural issues has partly reflected the decentralized approach adopted in the pilots, in which teams were given latitude to decide whether, with whom, and how to collaborate, with only light-touch guidance from the center. While this approach provided staff with flexibility to decide on the extent and modalities of collaboration, in practice teams tended to be self-reliant, preferring to undertake the pilot work in-house and in areas where they felt they had expertise or could tap expertise elsewhere in the Fund, rather than seeking to leverage Bank expertise or seeking to do joint work on less familiar but nonetheless macro-critical issues. This outcome owed in part to the institutional complexities of working with the Bank, including finding access to the right people and inputs and aligning goals and timetables. For their part, Bank staff often felt that they gained little from collaboration with the Fund in areas where they had already established considerable presence. We found little evidence that the Fund had systematically considered the constraints and incentives for the Bank and other international organizations to work with the Fund on its macro-structural agenda. More generally, “personalities” and other idiosyncratic factors were often key contributors to the extent and effectiveness of collaboration.

Looking beyond macro-structural issues, we found that the effectiveness of the Fund’s external collaboration varies widely across policy areas. Where collaboration with the Bank is quite deep, such as on debt and financial sector issues, this has typically reflected a combination of clear messages from shareholders, well-defined roles, mutual organizational benefits from collaboration, and tailored frameworks. This is not to suggest that collaboration is seamless or tension free in these areas, but it does seem to generally work productively. In other areas, collaboration beyond regular consultations with country counterparts is more limited.

LESSONS

It is clear from the evaluation that while collaboration can bring significant benefits to the quality and influence of Fund work, it is also difficult. Collaboration requires planning and concerted effort to be effective; it is not a panacea for extending the Fund’s ability to cover a widening range of issues at a time when resources are under strain.

Given this reality, it seems reasonable that the degree of collaboration should be quite light in some areas; after all, collaboration is a means to an end, not a goal in itself. However, since macro-structural issues are critical to the mandates of both Bank and Fund and an area in which the two institutions have complementary contributions to make, greater efforts are surely warranted to first identify strategically those issues where collaboration is likely to bring the greatest returns, and then to ensure that collaboration on these issues is approached more systematically to enhance the quality and traction of Fund advice.

On the issues where the Fund decides to deepen its external collaboration, there should be careful thought about the business needs of potential partners and any constraints they might face in working with the Fund. Such considerations should inform an engagement strategy that seeks to ensure that there is sufficient quid pro quo for the Fund’s partners and which recognizes the investment of Fund resources which may be necessary to realize and sustain the benefits of collaboration. The World Bank will not necessarily be the only or best partner institution for in-depth collaboration, although partnership with the Bank will almost always be relevant.

While structures for collaboration—delineating roles, processes, and accountabilities—are important, we do not see a strong case for a new “umbrella” agreement between the Bank and Fund to replace the 1989 Concordat or the 2007 Joint Management Action Plan (JMAP). Rather, efforts to strengthen collaboration on macro-structural issues should focus on seeking to establish explicit frameworks tailored to promote collaboration on specific priorities where it is judged likely to bring the greatest returns. Such frameworks should have strong management and Board support in both institutions, provide clear guidance to the respective staffs on goals, roles, and payoffs, and be regularly reviewed and adapted as necessary over time.

Explicit frameworks are most likely to be worthwhile when one or both of the institutions is seeking to expand its engagement on an issue that is important to the mandates of both, where the Fund's expertise may be relatively limited or narrow, and/or when the Bank or other partner institution would benefit from the Fund's engagement, including through its influence with finance ministries or central banks. Both institutions would gain increased traction when their messages are clearly reinforcing rather than potentially confusing. A framework for collaboration can also be particularly helpful when the issue involves multiple players in both partner institutions so that an informal decentralized approach may face particular coordination challenges. Based on these criteria, a shared framework with clearly delineated roles would seem to be potentially valuable on climate issues, for instance. However, such frameworks will not be needed or appropriate for Fund collaboration with the Bank on all macro-structural issues, as the decentralized approach followed in recent pilots may be preferable to a more structured but more costly approach on some issues, particularly where IMF expertise has now been quite well developed and the respective roles of the two institutions are well established.

Bank-Fund collaboration on cross-cutting issues would also be facilitated by easier access to basic, up-to-date information (e.g., on where to locate subject matter experts) and to the broader "knowledge base" of research and analysis across the Fund and Bank. Steps in this direction could help overcome the inertia that can inhibit the inclination to seek external perspectives, as well as increase inter-institutional synergies.

The Fund also should think further about the type, amount, and deployment of its own expertise on different macro-structural issues to help facilitate collaboration and guard against failing to engage with relevant expertise outside the Fund. We found examples where the depth and breadth of collaboration were constrained by the very limited number of staff involved on the Fund side.

For Bank-Fund collaboration at the country level, it is important that the front offices of Area Departments set the right expectations for their teams and put processes in place to reinforce collaboration and address any tensions at an early stage.

Management's engagement with partner organizations—on strategic and relationship matters, as well as resolving operational tensions—is important to raise awareness, accountability, and commitment among staff. The Board also could play a greater strategic role in promoting collaboration.

Finally, personal factors will always play a role in collaboration, because incentives will rarely align perfectly across institutions and because structures, even when well designed, inevitably have limitations. While individual behaviors and the wider organizational culture cannot be changed quickly or simply, they can be influenced over time, through concerted leadership and through recruitment, performance assessment, and promotion decisions.

RECOMMENDATIONS

As the IMF is increasingly engaging with macro-structural issues, it should adopt a more strategic approach to external collaboration with the Bank and with other partners. The goal should *not* be "more collaboration always and everywhere." Rather, careful consideration should be given to deciding where, when, and how to collaborate, based on an informed view of the costs as well as potential benefits. There is no one-size-fits-all solution: different forms of collaboration will be needed on different issues, and those modalities will need to evolve over time as the challenges to collaboration change.

Our remit only extends to recommendations to the Fund, not its partner organizations. We recognize that more effective collaboration depends not only on the Fund, but also on the Bank and other partners. However, there are steps the Fund can take which will increase the likelihood of effective collaboration, and we offer four broad recommendations:

Recommendation 1. ***The Fund should seek to develop and agree on concrete frameworks to ensure effective collaboration with the World Bank (or other relevant partner organizations) on key macro-structural issues where collaboration is judged to bring the greatest strategic returns.*** Such issues should be identified based on a systematic consideration of where collaboration is likely to yield the most benefit relative to the costs of collaboration, an explicit understanding of what the Fund can offer others as well as what it can expect to gain, and the Fund's ability to dedicate the necessary resources to facilitate the intended collaboration. Climate issues could be particularly well-suited for such a framework at the current juncture, given the IMF's growing attention to this area and the Bank's deep and complementary expertise.

Recommendation 2. ***The Fund should seek to improve internal incentives to collaborate and address the wider cultural reluctance to engage with external partners,*** given the inevitable limitations of top-down exhortations and structures in ensuring that collaboration happens at the right time in the right way. Recognizing that fully successful engagement may require shifting incentives in partner institutions and that structural differences between institutions create challenges for aligning incentives across them, specific steps in the Fund could include providing more granular guidance to staff about when and how to engage, increased emphasis on relationship building in performance management using the Fund's new Integrated Competency Framework, and encouraging more staff exchanges with the World Bank, especially at senior levels.

Recommendation 3. ***The Fund should work with the World Bank to identify, prioritize, and implement practical steps to improve access to and exchange of information and knowledge across the two institutions.*** Beyond completing the ongoing initiative to clarify and communicate the information and document sharing arrangements between Fund and Bank, it would be helpful to find ways to facilitate access to up-to-date and comprehensive information on subject matter experts and country leads in each institution, and to provide easier access to research and analysis on cross-cutting issues across the partner institutions. For example, the Fund and Bank could explore how to cross-link each institution's knowledge exchange sites and other specialized and curated repositories. Over the longer term, Fund and Bank could explore ways to provide readier reciprocal access to documents and reports across their intranets, while addressing concerns about information security and confidentiality.

Recommendation 4. ***The IMF Board's strategic role in facilitating and supporting external collaboration could be strengthened*** by leveraging its oversight role, its scope to influence staff behavior, and its direct engagement with the Bank Board.