INTRODUCTION

This evaluation aims to assess how effective the IMF has been in collaborating with the World Bank in its work on macro-structural issues in recent years, and to draw lessons on how to strengthen Fund collaboration with the Bank and other international organizations (IOs).[1] Working productively with partners is a key challenge for the Fund as it increasingly engages on a widening range of issues such as climate change, inequality, and gender with macro-critical consequences where other IOs have important roles and expertise, and against the background that the Fund itself faces tight resource constraints. This is the first pilot for a shorter evaluation format, adopted on a trial basis, to allow the IEO to respond more nimbly to Board concerns.[2]

The key questions the evaluation seeks to address are:

- What role has external collaboration played in the Fund's work on macro-structural issues, with the World Bank and with other partners?
- What was the Fund's vision for collaboration?
- What did it do to operationalize collaboration?
- What collaboration took place?
- How effective was it, in terms of quality, influence, and efficiency?
- What are the key factors that enable and hinder external collaboration by the Fund?
- What lessons are there for the Fund in its work with partners on macro-structural and other issues?

The rest of this chapter sets out the context for the evaluation, then discusses its motivation, scope, and approach. Chapter 2 explains and assesses the Fund's collaboration with the Bank and other partners on the macro-structural issues covered by four pilot initiatives launched since 2014. Chapter 3 presents insights from the Fund's collaboration with external partners in other areas, drawing in part on earlier IEO studies. Chapter 4 concludes by summarizing the key findings and lessons and presenting recommendations.

The evaluation was completed in March 2020 prior to the onset of the COVID-19 crisis. At the time of the Executive Board discussion of the evaluation in November 2020, the IEO provided a short factual update on specific developments in Bank-Fund collaboration on macro-structural issues since March but did not evaluate these developments.

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1 The Webster's Dictionary definition of collaboration is "To work jointly with others or together especially in an intellectual endeavor." In this evaluation, we use the terms "collaboration," "coordination," "cooperation," and "engagement" interchangeably. Gutner (2020) discusses how these concepts relate to one another in the academic literature.

2 Decision No. 16481-(19/4), adopted January 17, 2019. See EBAP/19/4.

CONTEXT

Bank-Fund collaboration

The IMF and World Bank have a long-shared history and closely connected though distinct mandates. The Articles of Agreement of each institution explicitly state that the institution will cooperate "with any general international organization and with public international organizations having specialized responsibilities in related fields" (IMF, 2016a; World Bank, 2012). Over the past decades, there have been many examples of successful cooperation but also duplication, periods of tension between Bank and Fund and missed opportunities, suggesting challenges to the relationship in terms of aligning incentives and working across different structures and operating models.

Collaboration between the Bank and Fund has historically been seen as important to avoid duplication and conflicting advice, and also to encourage complementarity in areas where the Bank and Fund each have strengths to bring to the table. While there is no single recipe for when and how collaboration should be encouraged, from the Fund's perspective it is typically most useful in areas where the Fund's responsibilities overlap with those of the World Bank and where the Fund can benefit from drawing on the Bank's expertise.

Over their history, the two institutions have pursued a variety of means to enhance collaboration with each other. There have been at least 25 agreements between the Fund and Bank—typically providing instructions from management to staff, supported by their boards—specifying how they should work together (Gutner, 2020). Broadly speaking, there have been four types of approach to collaboration, based on different levels of engagement:

- From the start, the Fund and Bank have committed *to information sharing,* first formalized in a report from a joint committee of Bank and Fund Boards in 1946 that authorized the exchange of certain documents and information as a means to better coordinate policies.

- From the 1960s, following sharp growth in the membership of the two institutions, there was increasing attention to the *demarcation* of areas of respective responsibility, to reduce the risks of duplication and inconsistent policy advice to countries. This approach culminated in the Concordat of 1989 (IMF, 1989), which was a response to growing tensions about the respective lending roles of the two institutions following the debt crises of the 1980s. The Concordat remains the formal basis for Bank-Fund collaboration (Box 1).

- From the 1990s on, the two institutions have increasingly worked together in areas of shared responsibility, particularly as the Fund increased its role in programs to support poverty reduction and growth and both institutions stepped up attention to financial sector issues. In this context, the Fund and Bank have explored ways of moving beyond demarcation agreements to encourage *complementarity* in areas of shared responsibility, recognizing that both institutions had strengths to bring to the table, and seeking to leverage the respective expertise of the two institutions. Along these lines, in 2007, the Joint Management Action Plan or JMAP (IMF and World Bank, 2007b) provided a wide-ranging response to recommendations by an External Review Committee,[3] which called for a stronger culture of collaboration based on more complementary efforts to recognize shared objectives and an emphasis on exploiting synergies.

- The fourth and most integrated approach to collaboration has been to establish *joint frameworks for specific issues,* as have been developed to organize Fund and Bank work on debt (for example, the HIPC initiative from 1996, the Debt Sustainability Framework since 2005, and the Joint World Bank–IMF Multipronged Approach for Addressing Emerging Debt Vulnerabilities since 2018) and the financial sector (FSAP, since 1999).[4] Such frameworks agreed by the two institutions lay out each partner's responsibilities and provide processes for prioritization and decision-making.

[3] IMF and World Bank (2007a), known as the "Malan Report."

[4] Further details of these initiatives are provided in a background paper for this evaluation (Abrams, 2020).

BOX 1. MODALITIES OF BANK-FUND COLLABORATION

At the institutional level, Bank-Fund collaboration is governed by a 1989 joint memorandum (known as the "Concordat") issued by the World Bank President and IMF Managing Director (IMF, 1989). This specified areas where the Fund would take the lead (such as surveillance, exchange rates, and stabilization policies), and where the Bank would take the lead (e.g., development strategies, policies for the efficient allocation of resources, government spending priorities, and sectoral policies). The Concordat outlined the administrative and procedural steps to secure a constructive and stronger collaboration between the two organizations and stated that "the objective of enhanced collaboration procedures is to avoid differing policy advice.… Also, in the interests of efficiency, each institution should rely as much as possible on analysis and monitoring of the other institution in the areas of primary responsibility of the other."

In 2007, the Joint Management Action Plan (JMAP) sought to further strengthen Bank-Fund collaboration. It aimed to provide, inter alia, for enhanced communication, stronger incentives, and institutional support for staff cooperation. The plan identified three broad priority areas for improvement in Bank-Fund collaboration: on country work, including through new procedures for country team coordination; enhancing communication between staff of the two institutions working on common thematic issues; and improving incentives and support for collaboration on policies, review, and other issues.[1]

At the country level, Fund staff are expected in surveillance, lending, and capacity development work to rely where appropriate on effective sectoral inputs and analysis from the Bank and other agencies with relevant expertise and comparative advantage. These expectations are set out in various guidance notes for IMF staff. In turn, Bank staff are generally expected to rely on the Fund's macroeconomic assessment, and more specifically required to consult the IMF at the early stages of preparation of a development policy operation.[2] Bank-Fund collaboration at the country level is generally informal, with teams meeting periodically to exchange views and work plans. Collaboration is most intense in the context of IMF-supported programs and Bank policy-based lending. In addition, there are regular meetings between Bank and Fund management. These tend to focus on addressing problems or tensions on particular countries or issues.

On a number of thematic and policy issues which cut across the mandates of Bank and Fund—for example, financial sector, debt, and expenditure management—specific frameworks and modalities for collaboration have been introduced, usually outlining the delineation of responsibilities and processes for agreeing on joint reports or decisions.

[1] A review of the JMAP in 2010 found that implementation had varied (IMF-World Bank, 2010). The JMAP was judged to have played a supportive rather than central role in improving collaboration, which had also been driven by the responses necessary to the GFC. There has been no review of the JMAP since 2010.

[2] In 2017, the Group of Twenty (G20) endorsed the "principles for effective coordination between the IMF and Multilateral Development Banks [including the World Bank] in the case of countries requesting financing while facing macroeconomic vulnerabilities" (G20, 2017; see also Abrams, 2020).

IMF collaboration with other international organizations

The IMF has formal agreements with some other international bodies. For example, the IMF and World Trade Organization (WTO) signed a cooperation agreement in 1996 (IMF, 1996).[5] Understandings on the respective roles of the IMF and Financial Stability Board (FSB) were set out in a joint letter from the IMF Managing Director and the FSB (then FSF) Chair in 2008 (IMF and FSF, 2008).

With other international organizations (IOs), Fund collaboration has generally been more issue-based rather than involving specific framework agreements. For example, the IMF has worked with the ILO on labor issues, the UN on poverty and gender issues, the OECD on labor and product market reform issues, and a group of IOs on the Data Gaps Initiative under the FSB. Some of these initiatives occurred in response to requests from the IMFC or G20 (see IEO, 2018c).

Macro-structural issues and Fund surveillance

Structural issues have been defined by the IMF as "impediments to [the] efficient production of goods and services and the efficient allocation of resources" (IMF, 2015a). For the purposes of this evaluation, we use the term "macro-structural" to refer to structural issues that have been judged as "macro-critical" by staff. According to IMF guidance, an issue is "macro-critical if it affects, or has the potential, to affect domestic or external stability, or global stability" (IMF, 2015a).[6]

While IMF work on some structural issues traces back decades, it has ebbed and flowed over time. Growing recognition of the importance of such longer-term issues to the IMF's overall mandate of promoting stability and growth led to the incorporation of structural conditionality into Fund programs starting in the 1980s and increased focus on labor markets, income inequality, social safety nets, and governance starting in the late 1990s. Concerns about mission-creep and overly intrusive conditionality in IMF-supported programs following the Asian crisis led to an effort to take a more parsimonious approach to structural conditionality.

In the aftermath of the Global Financial Crisis (GFC), the need for greater attention to macro-structural reforms to help strengthen long-term growth potential, as well as increasing concerns in the IMF and elsewhere about equity and inclusion issues, led to an intensification of IMF analytical work on these issues. An early initiative was a "jobs and growth" workstream launched in 2012, responding to concerns about the sharp rise in joblessness following the GFC. The 2014 Triennial Surveillance Review (TSR) found that growth and structural reforms were receiving more attention in Article IV reports, but that deeper analysis could boost the impact of advice to member countries (IMF, 2014a).

As attention to macro-structural issues in IMF surveillance increased, a key issue for the Fund was how far this should be accomplished in-house and to what extent it should rely on external partners. The basic approach adopted has been for the Fund to seek to leverage external expertise, to gain access to state-of-the-art knowledge, and to limit the need to build up in-house expertise.[7] Guidance for staff sought to clarify when and how IMF country teams should address macro-structural issues in individual Article IV consultations, and when to look to outside expertise (Figure 1). In deciding how to address structural issues, staff "should determine the extent to which the issue is macro critical and whether the IMF has expertise to analyze it or provide policy advice.... For structural issues that are macro-critical but where Fund expertise is lacking, staff should analyze the issue drawing on expertise from other organizations.... For macro-critical issues that

[5] This agreement has three main elements: it supports the WTO's Ministerial mandate to achieve greater coherence in global economic policy; it provides channels of communication to ensure that the rights and obligations of members are integral to the thinking of each organization; and it accords observer status to the IMF and WTO in certain of each other's decision-making bodies.

[6] The guidance further states that "Exchange rate, monetary, fiscal, and financial sector policies are macro policies and always considered important for stability. Other domestic policies can also be macro-critical when they affect stability." Between 2005 and 2012, the analogous term was "macro-relevant."

[7] The 2014 Triennial Surveillance Review emphasized that "in a budget-neutral environment and with the gamut of potentially macro-critical structural policies expanding, it will be essential for the Fund to build more effective partnerships with other organizations.... Having in place broader institutional mechanisms for collaboration would help engage with other technical partners and embed that expertise within Fund surveillance. This could include working more closely with the ILO, OECD or World Bank … (e.g., via cross-agency task forces on specific issues.)" (IMF, 2014a).

FIGURE 1. CRITERIA FOR COVERAGE OF STRUCTURAL ISSUES IN SURVEILLANCE

	IMF EXPERTISE	LACK OF IMF EXPERTISE
POTENTIALLY MACRO CRITICAL	**REQUIRED:** **Analysis and policy advice** Rely on in-house resources	**REQUIRED:** **Analysis** Rely on external resources
NOT MACRO CRITICAL	**ON REQUEST:** **Analysis and policy advice** Rely on in-house resources	**LEAVE TO OTHERS**

Source: IMF (2015a).

are important to a critical mass of members but where Fund expertise is lacking, the Fund will develop further in-house expertise, so staff can provide the necessary policy advice, while continuing to draw on other institutions' expertise" (IMF, 2015a). The guidance also emphasized that "collaboration with the World Bank and other development agencies is paramount, as core expertise in most topics relevant for low-income countries (LICs) is housed in these institutions."

In order to explore how the Fund could most effectively ramp up its engagement on macro-structural issues, pilot programs were launched in 2014 on inequality, gender, and energy/climate issues (Stedman, Abrams, and Kell, 2020). In 2016, an additional pilot to enhance coverage of a broader set of macro-structural reforms (MSRs) was initiated. External collaboration was envisaged as an important element of these four pilots, to gain access to outside expertise and improve the quality and traction of advice (IMF, 2014b; 2016d). In late 2017, management decided to "mainstream" inequality, gender, and macro-structural reform issues into surveillance during FY2019. The energy/climate pilot would be concluded but not mainstreamed out of concern that the Fund had not yet developed sufficient internal expertise and experience. Nevertheless, climate work in the Fund continues to be an institutional priority (IMF, 2019c).

In 2018, an Interim Surveillance Review (ISR) concluded that considerable progress had been made in work on macro-structural issues (IMF, 2018a).[8] Nonetheless, the ISR noted that there was scope to sharpen the Fund's advice on macro-structural issues, through training, increased access to standardized databases and diagnostic tools, and better leveraging of external expertise. These themes are being considered by IMF staff as they prepare the next Comprehensive Surveillance Review (CSR). Prior to the COVID-19 pandemic, the CSR was due to be discussed in April 2020 and is now scheduled for discussion by the Board in early 2021.

EVALUATION MOTIVATION, SCOPE, AND APPROACH

Motivation

The IMF's Board and its membership more generally have had a long-standing interest in effective Bank-Fund collaboration—whether, where and why it is working, and to what effect, a concern recently emphasized by the G20's Eminent Persons Group.[9] The Fund's increasing attention to macro-structural issues—traditionally areas of expertise of the Bank, OECD, and other IOs—has heightened the importance of external collaboration, to ensure that the Fund's advice is high quality, value-adding, and coherent with advice from other IOs, with the ultimate aim of

[8] The IMF conducts periodic reviews of its surveillance activities. The period of coverage has expanded over the years from a biennial review (until 2005), to a triennial review (TSR) (between 2008 and 2014), and now to a five year review cycle.

[9] The G20 Eminent Persons Group on Global Financial Governance commissioned by G20 Finance Ministers and Central Bank Governors in April 2017 (Global Financial Governance, 2018) examined the optimal role of the international financial institutions (IFIs)—IMF, World Bank, and other multilateral development banks—including how they interact and coordinate with one another. A key recommendation was to "exploit the largely untapped potential for collaboration among the IFIs as well as with development partners to maximize their contributions as a group."

increasing the traction of multilateral institutions. Resource pressures from operating within a flat budget in real terms while seeking to address a widening range of issues that are understood to be macro-critical, and the potential for external collaboration as a means to square that circle, have reinforced Board and membership interest in this topic.

The evaluation is timed to inform the Fund's upcoming CSR. The CSR Mid-point note, considered by the Board in December 2019, recognized that "there is both the need and the scope to strengthen the Fund's cooperation with other organizations on new surveillance issues [including macro-structural issues] that are growing in importance for the membership" (IMF, 2019d). In addition, the findings of this evaluation may also be relevant to improving the effectiveness of collaboration in other aspects of the Fund's work, including lending and capacity development.[10]

Scope

The evaluation assesses the extent and effectiveness of IMF collaboration with the Bank on macro-structural issues. It is not intended as a comprehensive assessment of all aspects of Bank-Fund collaboration, or 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 macro-critical consequences.[11] More specifically, the evaluation focuses on Bank-Fund collaboration in the context of issues covered by the four pilots mentioned above, namely inequality, gender, energy/climate, and macro-structural reforms, though the assessment takes into account experience with collaboration in other areas—such as debt, financial sector surveillance, and some fiscal topics—where these provide useful insights. In line with the focus of the pilots on enhancing Fund surveillance, the main focus of this evaluation is on collaboration in the context of surveillance,[12] although collaboration is certainly relevant for much of the Fund's lending and capacity-building work as well.[13]

The evaluation period is from 2014 (when the Fund started its pilots on inequality, gender, and energy/climate) to 2019. However, the evaluation also considers earlier work where relevant (e.g., on inequality).

The evaluation is asymmetric in that it assesses the Fund's collaboration with the Bank but does not assess the Bank's efforts to collaborate with the Fund. The evaluation has, however, sought views from current and former members of Bank staff, including via an IEO survey, and has collaborated closely with the Bank's Independent Evaluation Group (IEG) staff, who have provided very helpful advice and insights as well as facilitating the IEO's survey of World Bank staff.[14]

The focus of the evaluation is the Fund's collaboration with the World Bank, where the depth and breadth of linkages is considerably greater than the Fund has with other IOs. However, the evaluation has considered the Fund's collaboration with other relevant IOs on macro-structural issues (the OECD, the ILO, the WTO, and UN Women), as well as engagement with some other partner organizations (such as the United Kingdom's Department for International Development (DFID), and the Commitment to Equity Institute (CEQ) at Tulane University), to provide comparisons and additional insights into the factors that promote or hinder successful Bank-Fund collaboration.

Approach

The main sources of evidence for the evaluation are: (i) semi-structured interviews with current and former IMF Board members, management and staff; current and

[10] The 2018 Review of Program Design and Conditionality, for example, found numerous cases of macro-structural issues which had been identified through surveillance that are not being adequately reflected in program design and implementation (IMF, 2019a).

[11] This tight focus is in line with the intentions of the shorter IEO evaluation format.

[12] It is worth noting that while the World Bank does not conduct surveillance, much of its analytical work and practical experience is relevant to Fund surveillance of emerging market and developing countries.

[13] In this evaluation, we have considered the operation and results of Bank-Fund collaboration on macro-structural issues for some countries in or near Fund programs at the time when they were included in the macro-structural pilots, but we have not looked at Bank-Fund collaboration on capacity development.

[14] See Pedraglio (2020).

former World Bank staff; country officials; academics; and representatives from other international organizations, think tanks, and civil society organizations;[15] (ii) desk review of internal documents and Board presentations and reports on IMF macro-structural issues, Article IV staff reports and selected issues papers, multilateral surveillance outputs, budget documents and staff briefings for management; (iii) analysis of IMF working papers, staff discussion notes, and other research outputs; and (iv) surveys of current Fund and Bank operational and research staff.[16] The evaluation has also drawn on relevant findings from previous IEO evaluations and updates that have looked at collaboration issues in a range of areas (e.g., financial sector work, social protection, support for fragile and conflict-affected states, and structural conditionality), as well as IEG evaluations and other (non-Fund) assessments of Bank-Fund collaboration.

There are four background papers which provide supporting material for the evaluation. The first examines the experience with the four pilots covered in the evaluation (Stedman, Abrams, and Kell, 2020). The second provides a historical perspective on approaches to IMF–World Bank collaboration since the founding of the two institutions in 1944 (Gutner, 2020). The third provides information on selected collaboration agreements and initiatives between the Fund and other international organizations more broadly (Abrams, 2020). The fourth presents the survey results (Pedraglio, 2020).

[15] A total of 160 interviews were conducted. This included IMF staff (current and former) and World Bank staff working on specific issues as well as country teams (from both institutions); all IMF Executive Directors' offices; and IMF management. We also spoke with other international organizations (ILO, OECD, WTO, and UN Women), academics, think tanks, civil society organizations, and a number of country authorities.

[16] We received survey responses from 184 IMF staff out of 1,311 surveyed (a 14 percent response rate) and from 140 World Bank staff out of 2,622 surveyed (a 5 percent response rate). These are low response rates, and could mean a biased sample; we do not put undue weight on the survey results and triangulate them with other evidence sources. See Pedraglio (2020) for the full set of survey results.