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IMF COLLABORATION WITH WORLD BANK AND OTHERS ON MACRO-STRUCTURAL ISSUES

BACKGROUND

As noted above, the Fund's interest in structural issues stretches back several decades, but was renewed and broadened in the aftermath of the GFC. Efforts initially focused on productivity and distributional issues, for instance through a workstream on Jobs and Growth initiated by the Research Department (RES) in 2012. The IMF's engagement in gender and inequality issues was given strong impetus by the arrival of Christine Lagarde as Managing Director, and by rising concern about the distribution of the benefits of growth, for example following the Arab Spring. In a 2012 speech, Managing Director Lagarde underscored the need to make growth more inclusive, noting that this meant making sure that all share in the fruits of prosperity and that all are given the opportunity to fulfill their potential (Lagarde, 2012). Regarding energy/climate, the Fund has for many years been providing policy advice on energy subsidies and environment-related taxation. More recently, the Fund has broadened its attention to a wider range of climate related issues, including policies to mitigate climate change and increase resilience to natural disasters (see, for example, IMF, 2015b; 2019b).

The Managing Director's November 2014 Statement on the Work Program of the Board announced that in the coming year, staff would cover gender, inequality and energy/climate issues in countries where they were assessed to be macro-critical (IMF, 2014c). For this purpose, in early 2015, the Fund launched pilot initiatives for gender, inequality, and energy/climate work at the country level (alongside other pilots for macro-financial and a number of macro-fiscal issues). The pilots were intended to identify how best to integrate these issues into Article IV surveillance work in a way that would get traction across the organization, while operating within existing budgetary resources. In December 2016, the Fund added a pilot initiative looking at a broader range of macro-structural reforms (MSRs)—including those relating to labor and product markets, the banking, tax, and legal systems, infrastructure, and so on—to help enhance analysis and policy advice on macro-critical structural reforms in surveillance by "catalyz[ing] strong internal collaboration to identify, aggregate, and further develop expertise and analysis" (IMF, 2018a).[17]

Advisory Groups made up of senior representatives from key departments were established to support the inequality, gender, and energy/climate pilots. Their role was to create a knowledge base and forum for exchange of experience across Fund teams, provide analytical tools, and serve as a bridge to outside expertise. For the MSR pilot, a similar role was played by senior staff from the Strategy, Policy, and Review Department (SPR) and RES. Knowledge Exchange sites were set up on the Fund's intranet for three of the pilots

[17] "The goal [of the Fund's work on macro-structural reforms] is to develop a richer analytical foundation and range of tools—from within and outside the Fund—that country teams can leverage in their analysis and advice. Four complementary tracks of future work can help: more systematically assessing country needs; ongoing analytical work; developing an analytical toolkit for staff; and developing modalities for inter-agency collaboration" (IMF, 2015c).

(gender, inequality, and MSR) to provide access to Fund data, toolkits and cross-country analytical work from the Fund, as well as links to some resources publicly available from the World Bank and other IOs. Dedicated review of country team work by experts in SPR, RES, or the Fiscal Affairs Department (FAD) was introduced partway through the first three pilots and at the start of the MSR pilot. This focused review was intended to assess the depth of analysis and integration of issues in the overall macroeconomic framework and advice, and to provide some subject matter guidance to country teams.

The four pilots together covered 98 countries (and 2 currency unions), with some countries participating in two or more of the pilots (see Annex 1 for detailed country coverage). Each pilot was conducted in waves,[18] with stocktaking exercises at the end of waves 1 and 2. The energy/climate pilot concluded during FY2018, the other three by the end of FY2019.

In September 2017, towards the end of wave 2 of the inequality, gender, and energy/climate pilots, and midway through wave 1 of the MSR pilot, management decided to "mainstream" gender, inequality, and MSR issues across Article IV surveillance during FY2019. Mainstreaming was defined as "having a well-integrated analysis of an issue in Article IV consultation reports where it is macro-critical, with a view to strengthening policy advice" (IMF, 2017d). It was clarified that mainstreaming does not mean that the topic should always be covered; rather, that it should be covered when staff judged it to be important for macroeconomic performance and could draw on well-established toolkits and/or analytical approaches. Management decided to conclude the energy/climate pilot and not mainstream it (outside the energy pricing/subsidy area, which was already a staple topic for area department work before the pilot) out of concern that the Fund had not yet developed sufficient internal expertise and experience outside the energy pricing/subsidy area.[19] This did not mean the Fund climate work would be scaled back, and indeed staff advised management (IMF, 2017d) that they expected "a modest increase," based on periodic coverage of climate issues in Article IV consultations for countries where they were especially relevant, in further work on climate change policy assessments (CCPAs), a technical assistance (TA) tool launched to help small countries vulnerable to natural disasters increase resilience, and in multilateral surveillance.[20] The Managing Director's Global Policy Agenda in October 2019 (IMF, 2019c) highlighted her intention for the Fund to increase its attention on climate change, including by: more systematically integrating climate change into surveillance; supporting the buildup of structural, financial, and post-disaster resilience, particularly in small states and LICs vulnerable to natural disasters; enhancing analysis of sustainable finance; and continued support for global action.

INTENTIONS AND ARRANGEMENTS FOR COLLABORATION WITH PARTNERS

Enhanced collaboration with external partners was part of the original vision for the pilots, intended to help improve quality and traction, and also to help the Fund live within a flat-real budget. An early memo to management in September 2014 (from the Directors of RES, FAD, and SPR) on operationalizing work on inequality, gender, and energy/climate noted that "engagement with external experts, academics and other relevant institutions on the pilots could be encouraged where needed" (IMF, 2014b). In the light of experience with early stages of the three pilots, a note to management in July 2016 noted that "given resource constraints, there should be even greater emphasis on collaborating with other IFIs [international financial institutions] or leveraging contacts with external experts…. The key to dealing with new issues lies in adopting a pragmatic approach that takes into account the level of internal expertise and aims at cooperation with outside experts and institutions." More specifically, the note stated that "the objective [of outside collaboration] should be for the Fund to obtain access to state-of-the-art outside

[18] There were three waves for the inequality, gender, and MSR pilots, and two for the energy/climate pilot.

[19] Three criteria were set for mainstreaming, namely, that the topic should (i) be relevant for a significant share of the membership at a bilateral surveillance level; (ii) create value added in analysis and policy advice comparable to other core surveillance work without undue resource costs; and (iii) be grounded on sufficient internal expertise and experience, taking into account our capacity to draw on other institutions (IMF, 2017d).

[20] As of June 2020, there have been six CCPAs completed (Seychelles, St. Lucia, Belize, Grenada, Micronesia, and Tonga); see IMF (2019b). The joint Bank-Fund review of the experience with CCPA pilots is still underway (see Factual Update, pp. 49–50).

knowledge, which could improve policy outcomes and avoid the need to build up expertise in-house" (IMF, 2016b).

Collaboration under the pilots took place within an overall framework for helping country teams decide when and how to collaborate on structural issues in surveillance work as set out in the 2015 Guidance Note on Surveillance (Figure 1 and IMF, 2015a). There was no overall management-level discussion of collaboration with the Bank and other partners on the pilots, which might have aimed at reaching high-level agreement on goals and responsibilities.

Against this background, the four pilots varied in their approaches to facilitating collaboration:

- Members of the Advisory Group for Gender established contact with experts at the World Bank and UN Women and helped some Fund country teams identify relevant individuals in those organizations. The Inequality Advisory Group also helped connect teams with external expertise, in particular suggesting CEQ as a partner for several country teams to analyze the distributional impact of policy choices using fiscal incidence analysis.[21]

- The Advisory Group for Energy/Climate focused on the area of energy subsidies/carbon taxation and building resilience. The Group did not emphasize or take steps to facilitate external collaboration. CCPAs, which were not initially part of the energy/climate pilot but became so later, involved more explicit collaboration with the Bank (see IMF, 2019b).

- For the MSR pilot, senior staff from SPR and RES laid out potential modalities for collaboration and met with other IOs to seek agreement on how to bring this about (IMF, 2016d). However, this effort met with a mixed reaction outside the IMF. Subsequently, staff proposed an approach consisting of four elements: joint work in the context of surveillance in areas where the Fund's expertise is limited or lacking; staff exchanges, including short visits to help disseminate knowledge; knowledge exchange using the Fund's toolkit to share information on analytical and research work, data, and expert contacts; and an annual conference co-hosted with the OECD and World Bank to enhance high-level dialogue.

- Knowledge Exchange (KE) sites were set up for the inequality, gender, and MSR pilots, providing some links to publicly available data, toolkits, and cross-country analytical work from the World Bank, OECD, ILO, and UN bodies (as well as Fund materials). However, only the MSR site included suggested contacts in other IOs (the OECD); none had details of World Bank experts. The energy/climate pilot did not have a KE site.

- "How To" notes produced by the gender, inequality, and MSR pilots included short sections on external resources, including data, tools, and best-practice examples of external collaboration, including through conferences and engagement with partners at country level.[22]

For all the pilots, no specific expectations for identifying and developing partnerships were established. Rather, the responsibility for engagement—making contact, discussing macro-structural issues, and agreeing on any division of labor or joint work—was decentralized to country teams. The overall sense was that the World Bank and other external sources of expertise would be resources that staff could choose to consult, rather than partners with which they were expected to collaborate.

One other external arrangement beyond the Bank had a tangible impact on work across the pilots. Beginning in 2012, the IMF partnered with the UK DFID to enhance research on key macroeconomic issues in low-income developing countries, including inequality and gender. Under this ongoing partnership, DFID provides resources that enabled the IMF to scale up operations in SPR and RES—by hiring expert researchers on fixed-term

[21] Although the World Bank had similar analytical tools and capabilities as CEQ, IMF staff reported in interviews that CEQ was able to respond more flexibly to meet Fund timetables. CEQ, which has received substantial funding from the Gates Foundation, was willing to provide its services free of charge to the Fund.

[22] The "How To" note on MSR (IMF, 2017a) was prepared near the start of the pilot; the "How To" notes for inequality (IMF, 2018b) and gender (IMF, 2018c) were produced towards the end of those pilots. FAD told us there are plans to produce a "How To" note on energy and climate issues.

contracts, organizing conferences, and working with country authorities.

Since the pilots, IMF work on macro-structural issues is continuing to evolve, in some cases involving new initiatives to work with the World Bank and other partners. Notably, in the area of climate work, with the Fund substantially stepping up its work agenda, there is more engagement with the World Bank. For example, as part of the current review of the CCPA pilot, Fund staff are working with Bank staff to establish a mutually agreeable framework for collaboration on CCPAs. In addition, the Fund has agreed to a World Bank initiative to co-chair the secretariat for the Coalition of Finance Ministers for Climate Action, pending Board approval.[23]

WHAT HAPPENED

Extent and types of collaboration

The Fund saw collaboration with external organizations as a way to draw on expertise on topics where the IMF had limited experience, and to reduce the resource costs of covering these issues in Article IV surveillance. However, specific expectations for the types of collaboration anticipated were laid out only for the MSR pilot.

As the pilots evolved, the types of engagement and collaboration taking place with the Bank and other external partners were described in various progress reports to management on the four pilots.

- For country-focused work, reported collaboration included drawing on publications, data and indicators; organizing conferences and workshops; informal discussions and seeking comments on drafts; using seconded staff and hiring staff to work on macro-structural issues funded by DFID; and "outsourcing" analysis, for example to CEQ. Some teams reported they had relied solely on Fund expertise and analytical work. Information on collaboration was not provided for all countries in the pilots and was not quantified.
- For analytical, cross-country, and policy work, staff reported examples of joint conferences, use of external databases and indicators, informal research collaboration, and development of modeling frameworks.
- The partners mentioned across the various pilots included the World Bank, other multilateral development banks (IADB, ADB, and EBRD), the OECD, ILO, UN Women and other UN agencies, the European Commission, Eurostat, national authorities, CSOs, think tanks, and academia.

This evaluation similarly found wide-ranging forms of collaboration at varying degrees of depth:

- Informal consultation by Fund country teams has been routine. Over 85 percent of Fund survey respondents working on emerging market and developing countries (EMDCs) reported regular contact with their World Bank counterparts (at least once a quarter); two-thirds of respondents who participated in one or more of the pilots for EMDCs reported some collaboration with the Bank in that work (Pedraglio, 2020). In interviews, many Fund mission chiefs reported close ties with their World Bank counterparts and iterative discussion of key issues facing their countries. This sometimes extended to informal coordination of work programs—typically a discussion of how to achieve complementarity in overlapping areas and to seek consistency in messaging to authorities. Occasionally, this included some degree of integration of work, or even interdependency in undertaking analysis and developing advice, in both program and non-program cases.[24]

[23] See IEO (2020).

[24] Stedman, Abrams, and Kell (2020) provides specific examples.

- In policy work, we found examples of extensive informal engagement on macro-structural policy papers,[25] and on developing tools and frameworks to help country teams.[26]

- Deeper collaboration in the form of joint work or cross-participation in missions occurred less frequently. Compared to the 70 percent of Fund survey respondents who reported periodic consultations or information sharing, only 30 percent reported joint analytical work and only 15 percent the inclusion of Bank staff on Fund missions. Examples of joint outputs include several policy papers co-authored with the OECD on structural reform issues for the G20; a joint Bank-Fund paper for the Development Committee on inequality; and a small number of SIP chapters with external co-authors.[27]

- Other types of collaboration included conferences (two joint IMF-World Bank-OECD conferences on macro-structural research, with the expectation that these would continue on an annual basis, and two conferences with external partners on gender issues[28]); workshops/seminars for Fund staff with presentations from Bank and OECD experts on structural issues; and joint Bank-Fund workshops with academics presenting on a range of topics.

The finding that the extent of collaboration varied between and within the pilots is not necessarily a cause for concern. The approach adopted was deliberately flexible, allowing country teams room to decide on the scope and modalities of collaboration to respond to specific circumstances. This approach was consistent with Fund guidance on when to seek external collaboration on macro-critical structural issues, including an assessment of the extent to which there is relevant expertise within the Fund. In the energy/climate pilot, for example, those country teams prioritizing energy subsidies or carbon taxation as an issue turned to FAD for support; and in the gender pilot, some teams decided that the World Bank and other external parties did not have expertise or knowledge relevant to the macro-economic gender issues which they had decided to prioritize.

Nevertheless, we found evidence to suggest that collaboration with the Bank was not as extensive as was anticipated in the design of the pilots:

- *The lack of co-authored papers.* We found only 15 out of the total 155 selected issues papers (SIP) chapters associated with the four pilots with (co) authors from outside the Fund. In particular, there were no co-authored papers among the six countries in the MSR pilot targeted for close engagement with the World Bank. We also found no co-authored papers on analytical and policy issues other than those prepared for the G20 and Development Committee.

- *The relatively limited use of World Bank reports as source documents.* Citations in SIP chapters associated with the four pilots are heavily skewed towards the Fund, with, for example, only 7 percent of total citations being World Bank publications. Of the 39 analytical and policy

[25] For instance, several Fund interviewees who worked on the 2016 Board paper on small states' response to natural disasters and climate change (IMF, 2016e) explained that they had actively sought out Bank expertise, which is consistent with the large number of references in the paper to Bank policies, instruments, and analytical work. The 2019 Board paper on resilience to natural disasters (IMF, 2019b) drew extensively on the work of the Bank for its key recommendation that vulnerable countries develop comprehensive disaster resilience strategies in consultation with development partners and other stakeholders.

[26] Such as the CCPA framework which has been developed by the Fund with input from the Bank.

[27] We found 11 cases under the inequality pilot, 1 of which was written with World Bank staff, 1 co-authored with Asian Development Bank staff, 6 with CEQ economists, 2 with central bank officials, and 1 with an independent academic; 2 SIP chapters out of 42 under the MSR pilot; and 2 cases (Sri Lanka and Seychelles) in the energy/climate pilot, both with World Bank staff. The Seychelles SIP chapter on climate issues was the only example we found of a fully "outsourced" paper, in the sense of being authored by Bank staff with no Fund co-authors. We found no SIP chapters with non-Fund (co) authors in the gender pilot. See Stedman, Abrams, and Kell (2020) for more details.

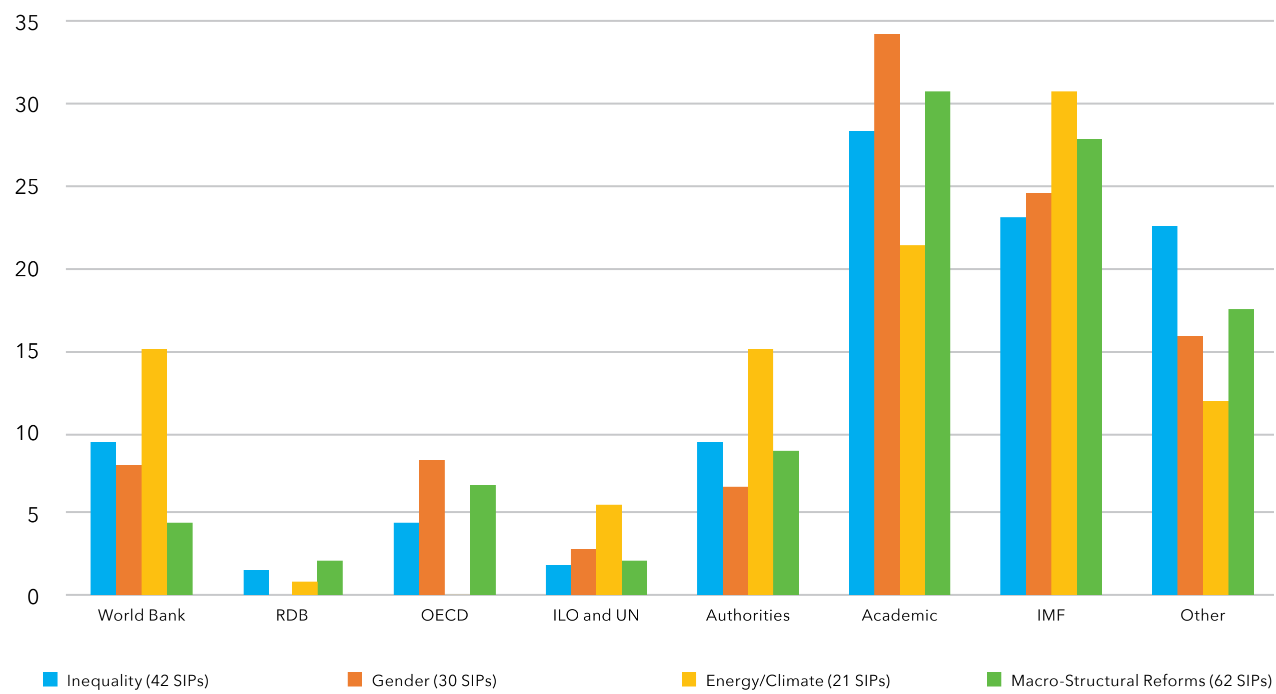
[28] The first was on Fiscal Policies and Gender Equality in November 2016 which included panel discussions with government officials, academics, development agencies, the Executive Director of UN Women, and the Executive Director for Oxfam Canada. The second was on gender and macro issues in March 2017, which included a session with 14 researchers from Sub-Saharan Africa for discussion on how the IMF can better partner with civil society organizations, academia, and government officials to advance gender equality objectives.

papers we reviewed, all had at least one reference to World Bank reports, but as a share of total citations, IMF and academic papers predominate (Figure 2, and Stedman, Abrams, and Kell, 2020).

- *Limited access to Bank internal sources.* While the Fund's internal KE sites developed for three of the four pilots did include data, tools, and other resources of the Bank and other organizations that were publicly available, they did not give access to, or a provide way to identify, ongoing or unpublished work. Nor were contacts at the Bank provided to help Fund teams seeking to identify experts or learn about pertinent parallel efforts.[29] Although Fund country team respondents to the survey reported that they did not have difficulty identifying a Bank counterpart, typically this would have been from the Bank country team equivalent, who would not necessarily have knowledge of relevant work being done elsewhere in the Bank on a particular issue. Overall, only one-quarter of Fund staff responding to the IEO survey felt they had been able to access most relevant data, research, and analysis across the Bank.

- *Limited number of IMF subject experts.* Climate experts at the Bank viewed the small number of Fund staff dedicated to working on climate issues as a significant constraint on joint working, especially on issues other than energy subsidies and carbon taxes.

FIGURE 2. IMF SELECTED ISSUES PAPERS: DISTRIBUTION OF CITATIONS
(Share by organization; in percent)



Source: IEO analysis.
Notes: Does not include citations associated with datasets. SIP = Selected Issues Paper and denotes a stand-alone paper, where applicable, or a SIP chapter. RDB=regional development bank. OECD=Organisation for Economic Co-operation and Development. ILO=International Labour Organization. UN=United Nations and includes specialized agencies other than ILO. Authorities=central banks, ministries. "Other" includes think tanks, civil society.

[29] For the MSR pilot, IMF staff asked their World Bank counterparts for such a list, but Bank staff determined that having IMF staff contact country economists or managers as go-betweens to access technical experts was a better approach, since these Bank staff would have more context for Fund requests and were more likely to be up to date than a standing list.

- *Limited Bank participation.* Bank staff only participated in the brainstorming sessions for pilot countries in a few cases. Sometimes this was because country teams considered that they already had close engagement with Bank country teams, as in the case of Brazil. No staff exchanges were arranged with the World Bank specifically in the context of work on the macro-structural issues targeted by these pilots. The OECD sent two staff members on temporary secondment to the Research Department to work on the April 2016 *WEO* chapter on the macro effects of structural reforms in advanced economies, but this was an isolated case.

Quality and traction of collaboration

A thorough assessment of the quality of the Fund's work on macro-structural issues—and whether Fund analysis and advice on the target issues provided value added and achieved traction—is beyond the scope of this evaluation. Staff self-assessments concluded that in general terms the pilots improved the quality of analysis but were more cautious about whether they had improved traction with authorities.[30] Further, the 2018 ISR, in reporting to the Board on lessons from nine pilots (including the four pilots which are the focus of this evaluation), concluded that the pilots "have improved the quality of Fund advice at relatively modest cost."[31] It should be noted that staff self-assessments did not attempt to isolate the role of external collaboration from all the other factors impacting on the quality of the Fund's work under the pilots.

Evidence gathered for this evaluation suggested that the quality of the Fund's work on the macro-structural issues targeted in the pilot was generally well regarded although sometimes seen as too narrow. Over 80 percent of Bank survey respondents rated the quality of IMF work on structural reform issues as "high." In interviews, Bank and other external experts expressed a range of views about the quality and value-added of Fund work across the pilots:

- On inequality, they generally saw the IMF's work as "very solid" and widely used. Some of it was important and at the frontier; other Fund work was seen more as a synthesis of existing knowledge but still considered well-timed and influential.[32]

- On gender, Bank experts viewed the quality of the Fund's work as generally good, but with more scope to be innovative and systematic in integrating gender into the IMF's work. Thus, for example, interviewees noted that while the IMF has done useful work on how to raise female labor force participation, this work could have taken greater account of the underlying causes of low participation, such as the role of unpaid care and informal labor. These experts, as well as others from CSOs, argued that there are also fundamental questions which the Fund should be, but isn't yet, asking (e.g., what a fiscal policy that fully takes into account gender would look like, and what the gender implications of other policy advice might be).

- On climate issues, Bank interviewees were of the view that the Fund's work on energy subsidies and carbon taxes was first rate, though they felt that the Fund should have paid more attention to other climate issues.

IMF staff painted a positive picture of the role of collaboration in strengthening the Fund's work in these areas in their self-assessments, reporting to management in 2017 that "collaboration with other IOs and with external consultants allowed for high-quality analysis while keeping

[30] For example, in the "How To" note for inequality (IMF, 2018b), staff concluded that the inequality pilot work added value by broadening the scope of the Fund's policy dialogue and helping gain an "encouraging" degree of traction with authorities "especially in cases where these issues were already on the authorities' policy agenda."

[31] Quality was assessed by responses from mission chiefs of pilot countries to the question "to what extent [did] participation in the pilot help to strengthen policy advice?" (IMF, 2018a). Resource implications of the pilots are discussed further below.

[32] Some observers raised concerns about the Fund's choice of data set which sometimes differed from data used in the World Bank and by some other researchers, and could potentially underestimate inequality trends.

resource costs manageable."[33] This assessment was repeated in the 2018 ISR: "a strategy of leveraging collaboration with other agencies has aligned staff's focus on areas where Fund analysis and policy advice will likely have the most value added and has helped keep resource costs manageable" (IMF, 2018a).

Similarly, the surveys undertaken for this evaluation found that Bank and Fund staff generally believed that external collaboration improved quality and traction. Eighty-five percent of IMF respondents who had worked with the Bank as part of the pilots said that collaboration with the Bank had contributed to the quality of the Fund's work to a "great" or "moderate" extent. Seventy-five percent had that view about the contribution of the Bank to traction with the authorities (Pedraglio, 2020). This was borne out in many interviews with Bank and Fund staff. Specific examples include the following:

- In Argentina and Egypt, where both Fund and Bank had lending operations, Fund and Bank staff reported that close collaboration was important to the development, design, and traction of specific macro-structural reforms.
- The benefits of collaboration for the quality and depth of analysis and advice were particularly emphasized by both Fund and Bank staff in the case of work on banking issues in Brazil, an area found lacking in an earlier IEO evaluation on financial surveillance (IEO, 2019a).[34]
- Bank staff told us that the joint nature of CCPA for St. Lucia meant that both Bank and Fund gained credibility with the authorities. Bank staff were also positive about the way that Fund involvement meant the Bank could get access to the Finance Ministry. Fund interviewees told us that their analysis of climate issues in the Article IV surveillance the year prior to the CCPA was tentative, whereas the following year the CCPA analysis was stronger, broader and more specific—including in particular the scope for disaster risk insurance based on input from the Bank.
- Fund staff from the African Department emphasized that external collaboration with the Bank and other IOs on macro-structural issues such as gender not only improved traction with the authorities, but also improved the Fund's reputation, traction and quality of dialogue with civil society organizations and other development partners.

Results from the survey of Fund staff suggest that collaboration on macro-structural issues was much more common with the Bank than with other organizations. Nevertheless, the evaluation learned of several examples where in-depth collaboration with parties other than the Bank significantly enhanced quality and traction. Fund teams for Rwanda and Ethiopia were very positive about the benefits of working with UN Women in-country; this was echoed in IEO interviews with staff from UN Women. In the case of Ethiopia, the Fund team worked with UN Women on the macroeconomic impact of existing gender gaps for the Article IV; the authorities subsequently requested a follow-up workshop and TA from the Fund and UN Women to strengthen the gender budgeting framework. Several Fund teams also told us how much they valued the detailed empirical work on distributional issues done together with CEQ.

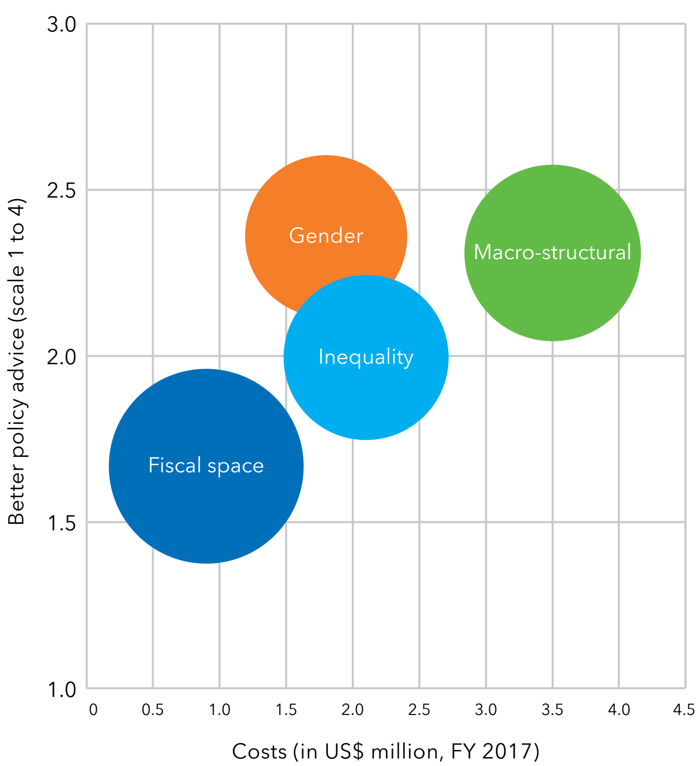
Notwithstanding evidence of fruitful collaboration with the Bank and others, we also heard from interviewees who believed that in some cases the limited degree of external collaboration by the Fund led to mixed messages which undermined impact and missed opportunities to improve quality and traction:

[33] This report (IMF, 2017b) reviewed experience from the second wave of gender, inequality, and energy/climate pilot countries. A similar report to management in October 2017 reviewing the MSR pilot (IMF, 2017c) highlighted that many mission chiefs on pilot countries believed that better access to expertise in IMF functional departments had helped them improve the quality of their analysis of structural issues, but there was no mention of whether external collaboration had had any impact on quality.

[34] On the other hand, a former senior Brazilian official, while welcoming the Bank's work on directed credit and the public banks, was disappointed that the Fund did not develop the Bank's work to look at the implications for monetary policy.

- Several Bank climate specialists pointed to a case where the Fund and Bank had published very different estimates of the global cost of energy subsidies because of different definitions, which had sent mixed messages to stakeholders and undermined the impact of Fund and Bank work. Another example concerned Fund estimates of the long-term growth impacts of climate change which the Bank considered to be a significant underestimate and based on flawed modeling. The Bank interviewees accepted this issue was analytically very challenging, but argued that this made it all the more important to combine efforts across the two institutions, in order to help reinforce each other's messages more effectively.
- Bank climate specialists also felt the Fund could have done more work with the Bank on the financial sector implications of climate change, to underpin the climate-related work done for a number of FSAPs. Even following the Managing Director's statement in 2015 setting out the IMF's role in addressing climate change (IMF, 2015b), their perception was that until very recently the Fund essentially had only one or two experts devoted to climate change work which limited the opportunities for collaborative work with the Bank and others.
- CSOs also criticized the Fund for focusing too much on energy subsidies and carbon taxes and paying insufficient attention to (for example) financial sector aspects of climate change where the Bank has significant expertise.
- Some Executive Directors and CSOs criticized the Fund's gender work on some advanced and emerging market economies for not adding value or insight, and having failed to draw sufficiently on insights from outside the Fund.

FIGURE 3. SELECTED PILOTS: ESTIMATED PAYOFFS AND COSTS



Estimates of Spending on Selected Pilot Initiatives

	FULL-TIME EQUIVALENTS		MILLIONS OF FY2018 U.S. DOLLARS	
	FY2017	FY2018	FY2017	FY2018
Gender	5.9	5.2	1.8	1.6
Inequality	6.8	6.0	2.1	1.8
Fiscal space	3.0	2.8	0.9	0.9
Macro-structural	11.3	12.6	3.5	3.9
Total	26.9	26.6	8.3	8.2

Sources: ISR Mission Chief Survey (2018a) and OBP costing survey (covering area and functional departments). The size of the bubble corresponds to the number of countries in each pilot.
Y axis: Responses to the question "To what extent participation in the pilot helped to strengthen policy advice?" (4 = to great extent; 3 = to some extent; 2 = to a limited extent; 1= not at all), Mission Chief Survey.

- Some Executive Directors criticized Fund pilot teams working on advanced economies for giving simplistic and repetitive advice on labor markets and other macro-structural issues; in their view, staff had ignored more nuanced and insightful advice from the OECD. As a result, the authorities tended to pay more attention to the OECD than the Fund on these issues.

Resource aspects

This evaluation found some instances of collaboration with the World Bank and others helping to moderate the costs to the Fund of addressing the targeted macro-structural issues under the pilots, but that overall collaboration often involved additional calls on IMF staff time and was not a consistent means to alleviate resource pressures from working on these issues.

An April 2017 staff memorandum to management on the gender, inequality, and energy/climate pilots noted that "the use of external expertise and databases helped to mitigate…resource constraints" and, in particular, that "collaboration with functional departments and external institutions with expertise in distributional issues helped keep resource costs manageable for most teams" (IMF, 2017b). At the country level, most IMF mission chiefs reported in internal surveys that the resource requirements of the pilots were "manageable." In some cases, mission chiefs reported that the work would have been prioritized regardless of the pilot and so had no incremental cost. The Interim Review of Surveillance (IMF, 2018a) provided an assessment for the Board of overall resource costs of four of the pilot initiatives (Figure 3). It concluded (without attempting any quantification) that "a strategy of leveraging collaboration with other agencies has aligned staff's focus on areas where Fund analysis and policy advice will likely have the most value added and has helped keep resource costs manageable."

This evaluation also identified instances in which external collaboration provided meaningful input for Article IV surveillance while protecting Fund resources.

- In the climate pilot, we found a couple of instances where Fund teams decided to rely heavily on the Bank for input on climate issues (for Sri Lanka on mitigating natural disaster risks, and for Seychelles on the development priorities for the "blue economy") benefiting from Bank expertise and relieving resource constraints on the Fund team.

- Joint work with the CEQ on distributional impacts of fiscal policies yielded value for teams at lower cost than if the Fund had carried out the analysis internally, especially because CEQ chose not to charge the Fund for this work.

- Fund interviewees told us that the partnership with DFID helped mitigate Fund resource constraints by funding the acquisition of in-house expertise. This funding supported inequality studies for Honduras, Ethiopia, Mozambique, Myanmar, and work under the gender pilot.

- The Fund's China team indicated that their work on inequality was strongly supported by collaboration with the Asian Development Bank, who provided a staff member on secondment to the Fund.

On the other hand, we also found evidence pointing to resource strains resulting from the pilots that could not be, or were not, mitigated through external collaboration. A few teams reported (to management and in IEO interviews) that they had decided to devote considerable staff time to pilot work, to ensure sufficient depth and quality to be credible with the authorities. This had crowded out some potentially important work on other issues. Other country teams participating in the pilots told us they had deliberately chosen approaches that were not resource-intensive (e.g., relying heavily on desk review of existing literature or adapting existing Fund cross-country empirical analysis). One or two said that they had interpreted the pilot requirements as "box ticking" and therefore had not allocated significant team resources to pilot work. Some Executive Directors also told us they had a similar impression from interactions with Fund teams conducting macro-structural work under the pilots on countries in their constituencies.

Furthermore, we found evidence that external collaboration itself could impose costs, rather than saving resources. In one assessment of the pilots for management, staff noted that work on emerging issues could lead to additional resource needs going forward "including from the broadening of the set of topics to be covered in surveillance, as well as from increased outreach and external engagement around the Fund's work in these areas" (IMF, 2017b). In the IEO survey of Fund staff, half of respondents indicated that collaboration with the Bank increased the time needed to address macro-structural issues, and only a quarter were of the view that collaboration saved Fund resources. In interviews, many Fund staff confirmed that effective collaboration with the Bank required significant investment to build and maintain the relationship.

Some Fund staff who had supported the Gender Advisory Group and country pilot teams told us that they often did that work "on top of their day job," particularly after SPR mainstreamed its support for the pilots in 2018. Other staff who acted as dedicated reviewers for the pilots told us they did not have sufficient time to question country teams on whether they had reached out appropriately to the Bank and other partner organizations—though they accepted this was unavoidable given the focus of and constraints on the review process.

Country teams in the pilots had mixed views on the extent to which support made available to them by the Advisory Groups and functional departments facilitated external collaboration. In the IEO survey, around three-quarters of country team respondents recognized that internal Fund expertise had made a major or moderate contribution to their work on macro-structural issues; the brainstorming sessions facilitated by the Advisory Groups had also made a moderate contribution. From interviews and reports to management, teams in the energy/climate pilot which focused on energy subsidy and carbon taxation issues were uniformly positive about the tools and advice provided by FAD; but those which focused on other climate-related issues said very little relevant resource or knowledge was available within the Fund, and indeed this was a motivation to reach out to the Bank. Some teams across all four pilots, in their feedback reported to management and in interviews for this evaluation, said the data and research references for external organizations provided via the KE webpages were helpful, although nearly three-quarters of survey respondents reported concerns that they did not, or may not, have had access to relevant World Bank work.

Oversight

As mentioned above, staff provided regular updates to management on various aspects of the pilots, including external collaboration. For example, a report assessing Wave 1 of the MSR pilot in October 2017 (IMF, 2017e) was frank that "collaboration with other institutions is off to a slow start." Reporting on the other three pilots was more positive about the extent and effectiveness of external collaboration (IMF, 2016c; 2017b).

In reporting to the Board on experience with the pilots, collaboration with other IOs was described as "challenging" in a briefing for Executive Directors in March 2018, although staff reported that this was more of an issue with the ILO, OECD, and WTO than the World Bank "where there is a history of close collaboration on structural issues" (IMF, 2018d). The 2018 ISR struck a more positive note, stating that "a strategy of leveraging collaboration with other agencies has aligned staff's focus on areas where Fund analysis and policy advice will likely have the most value added and has helped keep resource costs manageable" (IMF, 2018a).

In discussing the pilots and elsewhere, the Board has consistently encouraged Fund staff to engage more actively with other international organizations. For example, several Executive Directors called for more granular guidance to staff on how to collaborate in the context of emerging macro-structural issues. More generally, the Board has repeatedly stressed the importance of the Fund collaborating with the World Bank and other external partners on a range of issues.[35] In interviews for this evaluation, many EDs expressed frustration about inadequate information on the pilots from staff, and on Bank-Fund collaboration more generally.

[35] With regard to climate issues, for example, see Board Summings Up following discussion of IMF (2016e; 2019b). With regard to discussions on macroeconomic prospects in low-income developing countries (LIDCs), Directors called on the Fund to work collaboratively with other multilateral institutions and donors to assist LIDCs (e.g., IMF, 2017f).

LESSONS

Factors that hinder collaboration

The IEO survey and interviews suggested a wide range of barriers and challenges to Bank-Fund collaboration that are long-standing and not specific to the pilots and the associated macro-structural issues. These include the difficulties of identifying the right experts in the Bank; differences in processes and timetables; misaligned incentives resulting from different institutional priorities and operating models; and difficulties in transferring financial resources between Fund and Bank. This is generally consistent with the internal assessment by staff, as found in IMF (2018a), that "while there have been some positive experiences of collaboration with other agencies in particular instances or specific topics, challenges to effective collaboration are rooted in institutional differences in objectives, approaches, and incentives." We discuss these "generic" barriers to Bank-Fund collaboration further in Chapter 4.

We also identified some barriers to collaboration that were more specific to macro-structural issues and the pilots.

First, there were tensions with the Bank and OECD due to perceived overlap and concerns about Fund "encroachment" on a set of issues that traditionally have been areas of expertise of the other institution. These tensions contributed to concerns about competition between the Fund and other IOs, rather than partnership, which were relayed in IEO interviews. We found little evidence that IMF management actively intervened to overcome such institutional tensions.

Second, there were limited incentives for Bank and OECD staff to prioritize allocating their time to work to provide input for IMF surveillance work. The Bank does not have a surveillance remit, and sector specialists in the Bank, for example, are generally incentivized to support Bank lending activities; in some cases Bank staff might even see the IMF analysis or advice as an impediment to the approval or delivery of such projects.[36] Some OECD staff reported in interviews that they were at full stretch delivering the requirements of their organization and had little capacity to meet Fund requests for input to IMF surveillance. We found little evidence that the Fund explicitly considered the constraints and incentives that were likely to be important in other organizations in responding to Fund requests for assistance on macro-structural issues.

Third, Bank-Fund collaboration on macro-structural issues is complicated because in both institutions work is done both at country level (area department in the Fund, regional vice presidencies in the World Bank), and by thematic specialists (functional departments at the Fund, global practices in the Bank). While links across country teams in the two institutions are typically straightforward,[37] it was often harder for Fund staff to access information from thematic specialists across the Bank—a task further complicated by changes in the Bank's organizational structure during this period. This issue cuts both ways. For example, senior Bank climate specialists told us that it was not clear to them which senior Fund staff member was in the lead on climate change issues across the IMF, and this had hindered effective engagement.

Fourth, the Fund's decentralized framework under which country teams decided when and where to seek external input on structural issues contributed to missed opportunities for beneficial collaboration.

- The framework left country teams to judge whether they have sufficient expertise in-house. Some country teams participating in the pilots chose to draw on expertise and support that was readily available within the team and the wider Fund—rather than make a broader assessment of what external perspectives and expertise could add most value and traction for IMF policy advice. Thus, for example, Fund teams chose to do particular types of analysis on gender based on existing Fund cross-country work, rather than an informed assessment of the full range or potentially macro-critical gender issues.

[36] We discuss further the issue of misaligned incentives between Fund and Bank staff in Chapter 3 below.

[37] In the IEO survey of Fund staff, two-thirds of those who initiated contact with the Bank as part of the pilots considered they could identify an appropriate Bank contact "with little effort."

- Missed opportunities for collaboration could in principle have been picked up by the dedicated review function established during the pilots. However, as noted above, reviewers interviewed for this evaluation reported that they did not focus on whether teams had collaborated with other organizations or had benefited from analysis and advice from partners, due mainly to time pressures and in some cases a lack of familiarity with external sources of expertise.
- From the partner organization's perspective, the Fund's framework did not encourage early engagement or help achieve buy-in. One senior Bank interviewee characterized the Fund's approach as seeking Bank input on specific topics to fit into the IMF's agenda on a particular country, often at short notice and without wider engagement to help secure Bank buy-in. Rather than involving the Bank early in grappling with a country's situation and developing an approach, this approach was sometimes perceived as the Fund seeking to use Bank staff "as research assistants." We heard similar sentiments from some OECD interviewees. One lesson from this is the importance of thinking through and providing guidance on *how* to collaborate, as well as *when* to seek collaboration.

Factors that help collaboration

In explaining instances where collaboration on pilot countries and issues worked well, many Fund staff who participated in the pilots emphasized in interviews for this evaluation the importance of personalities and individual-specific factors such as experience of or familiarity with the other institution or good role models of collaboration earlier in their career. Individuals with experience at senior levels in the partner organization are well placed to engender trust in the partner organization among their erstwhile colleagues, and help their new colleagues navigate the partner organization. This set of factors applies to collaboration beyond the pilots and is discussed further in the next chapter.

Aside from personal factors, we identified a number of key enablers of effective collaboration on macro-structural issues:

- Situations where "business needs" on both sides were helped by collaboration. In particular, the existence or prospect of a Fund-supported program generally increases the incentives on both sides to engage, since the program could provide an opportunity to advance the Bank's policy agenda on an issue, and the Fund may want to draw on Bank expertise in design and implementation of reforms to address structural issues in the program.
- Access to in-country experts can particularly help Fund teams develop more nuanced and tailored policy advice. We heard examples relating to the World Bank and UN Women.
- Clear messages from Fund and Bank management for their teams to engage actively on particular countries (again, most often occurring in the program context).
- Specialist resources, such as the inequality and gender experts funded through the Fund's partnership with DFID, who helped country teams identify and engage with external expertise.
- A supportive front office. The Fund's African Department (AFR), for example, identified gender experts to help country teams on gender issues after the central resources overseen by the Advisory Group were reduced and has put significant emphasis on encouraging country teams to exploit synergies with their Bank counterparts.
- Fortuitous timing, for example, the preparation of Bank Systematic Country Diagnostics and Country Partnership Frameworks (which are produced on a multi-year cycle) coinciding with Fund focus on macro-structural issues in a particular Article IV consultation (Morocco, Mexico).