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WIDER EXPERIENCE OF FUND EXTERNAL COLLABORATION

This chapter seeks to draw lessons from the wider experience of external collaboration by the IMF in areas other than the macro-structural issues considered in the previous chapter, including with partners other than the World Bank. It draws on findings from previous IEO evaluations and other reports, as well as evidence gathered for this evaluation.

KEY FEATURES OF IMF EXTERNAL COLLABORATION

It is generally recognized that external collaboration by the IMF brings a broad range of benefits:

- A number of Fund and Bank staff interviewed for this evaluation emphasized that collaboration was important to the credibility of each institution with member country authorities. For example, inconsistencies in Fund and Bank advice could allow or encourage authorities to "shop" between the institutions for advice.

- Executive Directors and country officials emphasized that collaboration can promote the operational efficiency of the Fund (and other IOs) by avoiding duplication of effort. Coordination between IFIs and bilateral donors helps to minimize the burden on member countries, especially those with low administrative capacity that engage with multiple IOs.

- Some Executive Directors and member country officials also stressed that collaboration between IFIs supports the credibility and effectiveness of the multilateral system, and therefore has the attributes of a global public good, especially given the current pressures on the multilateral system.

Among IOs, IMF engagement has been and remains most extensive with the World Bank. For example, a survey of Fund economists for the IEO evaluation of Social Protection (IEO, 2017) found that the World Bank was by far the Fund's major partner on social protection issues.[38] The IEO report on Fragile States (IEO, 2018a) noted that information exchanges with World Bank staff, both on the ground and at headquarters, were particularly close, whereas exchanges with the staffs of regional development banks and bilateral donor agencies were much less so. The survey of IMF staff for this evaluation found that Fund staff engaged more with the Bank than other IOs, at least for work on low- and middle-income countries.

Previous IEO evaluations and updates have identified important ways in which external collaboration by the IMF and the World Bank is working well, but also examples where collaboration is uneven and problematic. In particular:

[38] Eighty percent of survey respondents reported interactions with Bank staff ranging from periodic or occasional meetings and information-sharing to joint missions. With other partner organizations: survey respondents reported minimal to no interaction; almost 75 percent for UN agencies (including the ILO); and 90 percent for the OECD.

- IEO (2017) found that the IMF worked productively with the World Bank on social protection issues, based on an effective division of labor, with the Fund working to identify fiscal room for social spending and facilitating effective advocacy by finance ministries, while the Bank provided input on design and implementation of social safety nets. Collaboration on social protection was less effective with other organizations with different philosophies on how to approach these issues.

- IEO (2018a) concluded that the Fund, the Bank, and other agencies generally coordinated closely in fragile and conflict-affected states, based on the need for engagement on financing issues and capacity development work. Nevertheless, it noted the challenges associated with development partners having different budget cycles and planning horizons, and each donor having its own mandate and agenda. As a result, collaboration and coordination have sometimes not gone much beyond information sharing, and there has been a fair amount of duplication of effort in the delivery of TA and insufficient attention to forging unified strategies for advancing politically challenging reforms.

- The IEO evaluation on financial surveillance (IEO, 2019a) concluded that the Fund has generally worked effectively with the World Bank on FSAPs based on a clear division of labor, while recognizing close collaboration on the new field of "fintech" including joint papers presented to both Boards. However, the organization of FSAPs had been complicated by challenges in coordinating with the World Bank, whose mandate and internal processes are different than at the IMF. The IMF is guided by the timeline for the corresponding Article IV consultation, while the Bank has less binding deadlines.

- The IEO Update on Structural Conditionality (IEO, 2018b) found that cooperation with the World Bank on designing and setting structural conditionality for LICs has been complicated by a series of institutional changes. In particular, in 2014, the World Bank delinked its concessional financing from the PRSP process and eliminated the associated documentation requirement including the submission of a Joint (Bank-Fund) Staff Advisory Note to the Bank Board.

- The recent IEO Update on the IMF's involvement in international trade policies (IEO, 2019b) found that the Fund has substantially strengthened its collaboration with the WTO and other institutions including the World Bank on trade issues since the original 2009 evaluation. The IMF has contributed its global macroeconomic modelling capacity and high-profile advocacy platform to press the case for an open, rules-based international trading system, and relied on partners for input on more detailed aspects of trade and trade policy.

Staff, Executive Directors, and country officials interviewed for this evaluation pointed to other policy areas where collaboration has been generally effective, often in the context of an agreed framework for joint work.[39] Notably, long-standing Fund-Bank collaboration on debt issues has been enhanced by the "Joint World Bank-IMF Multipronged Approach for Addressing Emerging Debt Vulnerabilities," discussed with both Boards in 2018. This approach includes joint products such as the Debt Sustainability Framework for LICs (the LIC-DSF), G20 Background Notes on Strengthening Public Debt Transparency (June 2018), and G20 Operational Guidelines for Sustainable Financing—Diagnostic Tool (November 2019), and as well as complementary initiatives such as on debt monitoring. There has also been extensive and long-running collaboration with the World Bank on tax issues (although a number of country officials expressed concerns about difficulties in getting the Partnership for Collaboration on Tax fully active).

[39] See Abrams (2020) for brief descriptions of initiatives which have involved Bank-Fund collaboration.

Bank-Fund collaboration is also viewed as generally close and effective in the context of country programs.[40] There are of course exceptions: in interviews for this evaluation, many Executive Directors cited particular program country cases where the Bank and Fund had not coordinated as well as they should have. Examples included insufficient coordination of the timing of reforms to energy subsidies and social safety nets, and Fund advice on structural issues not reflecting the expertise and country specificity which the Bank would have been able to provide. Officials from some creditor countries also highlighted problems of inconsistent lending decisions in some high-profile program cases. Nevertheless, these tensions were generally resolved through existing channels, including through the regular meetings at the management level where necessary.

FACTORS THAT HINDER AND HELP COLLABORATION

Drawing on the broad range of experience with collaboration, it is clear that many factors influence the extent, type, and effectiveness of the Fund's external collaboration. No single factor determines by itself the success or failure of any collaboration initiative, though the importance of "personalities" or individual-specific factors was mentioned in almost every interview conducted for this evaluation. The following is not intended to be a comprehensive list of all the factors which can impact on collaboration, but rather to highlight the most important.

Barriers and challenges to collaboration

Mandates. The mandates of the Fund and Bank were designed to be consistent and complementary, but they are distinct and can lead to differences in priorities and perspectives. For example, the Fund provides policy advice under its surveillance mandate, typically on an annual consultation cycle, while standing ready to quickly provide balance of payments financing when needed. The Bank's development objectives typically lead it to take a longer term time horizon and it normally faces less imperative to move rapidly.[41] The Fund has an oversight mandate over the international monetary system as well as a surveillance mandate covering all its members, and thus pays particular attention to large and systemically important countries, whereas the Bank is more focused on the poorest countries. Such differences are fundamental to the design of the institutions and create potential benefits from "trade," but they can complicate Bank-Fund collaboration.

Philosophy. Differences in the underpinning philosophy or world view between organizations can present considerable challenges. This is not generally seen as a problem for Bank-Fund collaboration, since they share a common membership and voting structure, as well as an overall approach to problem-solving based on market-based, mainstream economics that stresses the importance of efficient allocation of resources and appropriate incentives. However, fundamental differences between this market-based philosophy and the rights-based philosophy of the ILO and other UN agencies can complicate collaboration despite good intentions—as observed for example in the IEO's social protection evaluation (IEO, 2017). This is not to suggest that the IMF cannot work effectively with a broader range of institutions. The good collaboration with UN Women discussed in Chapter 2 is a relevant counterexample where such collaboration benefitted from strong mutual potential gains.

Operating models. Reflecting their different roles and priorities, the Bank and Fund have different operating models, which in turn can lead to substantial practical challenges to working together. For example:

- The Fund is predominantly based in Washington DC, while staff and decision-making on country issues in the Bank are geographically dispersed, which can make it harder to develop and maintain strong personal relationships. Many Fund interviewees stressed the positive role that Fund resident representatives had played in building effective relationships with Bank in-country teams where the Fund maintains a resident presence.

[40] Interviews with Fund and Bank staff suggested that contacts were more regular and productive in countries where both institutions were heavily engaged, particularly when there were staff from both institutions resident in the country.

[41] For example, in the reform of energy subsidies, the Fund might want to emphasize moving quickly for fiscal reasons, whereas the Bank might be inclined to move more deliberatively, wanting to understand the distributional implications, possible mitigations, institutional capacity for reform, and so on.

- The Fund also has a more centralized organizational structure, with responsibilities clearly allocated to area or functional departments, while the Bank has a more decentralized matrix structure, with different practices involved in cross-cutting issues. Some Bank staff we interviewed acknowledged that the Bank's structure is "opaque," and that frequent changes have made it harder still to navigate.[42] Many Fund staff told us that these factors made it difficult to locate Bank expertise,[43] although this was not identified as a major issue in the staff survey. Perhaps more important, there were considerable frustrations expressed about the Bank's multiple actors sometimes taking too long to sign off joint documents or reach agreed internal positions. However, some interviewees—Fund as well as Bank—believed that the Fund sometimes used the Bank' complex and dispersed structure as a convenient excuse for not engaging fully.
- The Fund's operational work is dominated by economics expertise, whereas the Bank employs a wide range of professional skills. Some Fund staff told us that, for example, Bank Country Directors with project or sector backgrounds have been less inclined to engage with the Fund than those with a background in macroeconomics.

Incentives. Differences in organizational priorities and operating models can create a misalignment of incentives between Bank and Fund staff, which is not always conducive to effective collaboration. The Bank is fundamentally a lending institution, and a key driver for many of its staff, particularly country directors and their teams, is to deliver project and program lending. Priorities set on this basis also play a role in allocation of resources for the work of sector specialists, who receive budget allocations from "commissioning" country directors. As a result, Bank staff in these roles may have limited incentives, or capacity, to help the Fund given that doing so could divert resources from this core business. This may contribute to the more "client-focused mindset" that some Fund staff described encountering in some senior Bank staff responsible for country engagement, and which contributed at times to tensions with the Fund (for example, when country authorities do not meet performance criteria or other objectives for Fund or Bank programs). The survey suggested a similar perception on the part of Fund staff, with half of IMF respondents disagreeing or strongly disagreeing that "World Bank culture and incentives generally promote collaboration with the IMF."

Incentives on the Fund side to collaborate with the Bank also seem to be limited. Over half of the IMF staff survey respondents disagreed that IMF culture and incentives "generally promoted collaboration with the Bank." Only 10 percent of respondents felt that collaboration with the Bank was rewarded in performance assessment or promotion decisions. Many interviewees reported that relatively low importance was attached to collaborative behavior and outcomes in performance assessments. More generally, many Fund staff told us that collaboration with the Bank (and other external parties) was not viewed as a key part of the job.

In this context, it is worth noting that the Fund's new performance assessment system, introduced in 2019, puts more emphasis on a range of behavioral competencies, including those relevant to relationship building, both within the Fund and externally. Application of the new "Integrated Competency Framework" is now underway, with managers being trained in how to assess behavioral competencies and provide feedback." This new approach presents an opportunity to make the Fund's culture more outward-oriented and open to working with external partners.

Culture. Beyond specific incentives, the Fund's culture is seen as a barrier to collaboration. A key conclusion of the 2007 Malan report was to call for a stronger culture of collaboration in both institutions, grounded in, among other things, greater trust and encouraged by stronger incentives. In interviews for this evaluation we heard from staff and Executive Directors about a distinctive Fund culture of "self-reliance" that makes staff more inclined to rely on internally generated knowledge and analysis (and as noted above there is some supporting evidence for this in the Fund staff survey). In part, this tendency toward

[42] See also IEG (2019).

[43] By contrast, the stability and similarities of IMF and OECD organizational structures was cited as factor facilitating collaboration.

self-reliance may reflect the fact that external collaboration often requires additional effort and can reduce control over the quality and timing of outputs. But it may also reflect a degree of insularity and a lack of awareness of the value of outside perspectives and analysis.

Many interviewees from the Bank referred to a Fund culture—not uniform, and in the view of some becoming less prevalent in recent years—that reduces Bank staff incentives to work with the Fund. Interviewees (including some from the Fund staff) spoke of: the Fund's inflexibility over deadlines; a desire to "have the last word" in signing off joint reports; an appearance of arrogance vis-à-vis the quality of some Bank work and staff; failures to sufficiently recognize Bank input; and the Fund generally being more comfortable "collaborating" on those issues where it was leading rather than following the Bank. In the survey, around 45 percent of Bank respondents disagreed or strongly disagreed with the statement that "IMF culture and incentives generally promote collaboration with the Bank;" less than 20 percent agreed.

Access to information. Difficulties in gaining access to each other's documents and knowledge base have been a long-standing impediment to Bank-Fund collaboration. Both the Fund and the Bank have placed emphasis in recent years on improving knowledge management within each institution, but these initiatives have paid less attention to exchange of knowledge across institutions. As mentioned in the previous section, only around a quarter of respondents from IMF and Bank staff reported that they were confident that could identify and access the all data, research, and analysis relevant to their macro-structural work from the other institution. Knowledge exchange has been further complicated since 2014 when the Bank decided to curtail the access of Fund staff to the Bank's intranet following a data breach of the IMF's website.[44] A few Fund staff also expressed concern that they could not access Bank "Reimbursable Advisory Services" (RAS) reports, which are akin to Fund TA reports.[45] The Bank's ability to work with the Fund is in turn constrained by Fund staff's caution in sharing working documents and some TA reports.[46] In the survey of Bank staff, over 60 percent of respondents indicated that the IMF never or rarely shared key country documents.

Improving the flow of information between Bank and Fund has consistently been seen as a means to enhance Bank-Fund collaboration.[47] It was identified as a priority in the JMAP in 2007, in the JMAP review of 2010, and was the subject of initiatives in 2012 (which did not come to fruition) and an initiative launched in 2018 which is still underway. The focus of the current initiative is to clarify and communicate to both staffs what information can be shared. IMF interviewees indicated that in principle Fund staff can share anything with the Bank where there is a "need to know," subject to rules about market-sensitive information.[48] However, not all Fund information that could be shared with the Bank was indeed being shared, implying a need to send clearer messages to staff, and hence the need for clearer guidance. This initiative is not currently looking at the issue of how to facilitate access to each institution's internal knowledge base, subject to appropriate safeguards.

Executive Board. Board oversight helps to set the incentives for Fund staff but its ability to catalyze a stronger internal commitment to Fund external collaboration seems to have been limited. While there has been a trend in recent years towards earlier engagement with the Board as policy

[44] Note that Bank staff have never had direct access to the Fund's intranet.

[45] RAS reports are paid for by the client under a legal agreement. While the reports cannot legally be shared with the Fund, Bank interviewees told us that they are able to share data sources, point the Fund to Bank staff who worked on the reports, and sometimes invite the Fund to meetings where the reports are reviewed.

[46] IMF policy provides that "Fund staff may share final TA advice, including TA reports, with World Bank staff upon request, without the need for obtaining the TA recipient's explicit consent." (IMF, 2013). Although Fund departments generally report that they adhere to this rule, interview and survey evidence gathered for this evaluation demonstrate that Bank staff still experience difficulty in gaining access to some such reports.

[47] Some Fund interviewees mentioned that the OECD's transparency and well-organized website have helped them draw on OECD data and analysis—though this may reduce the incentive for Fund staff to develop relationships with their OECD counterparts, which could result in missed opportunities for synergy.

[48] This degree of openness is unique between Fund and Bank and does not apply to any of the Fund's partner organizations.

initiatives, in interviews many Executive Directors still expressed frustration that they did not receive enough information about Bank-Fund collaboration—what the expectations of staff were, what the structures are within which it takes place, and what the results have been—and that they tended only to hear about cases where it had worked well. This echoes similar findings in previous IEO reports.[49] Annex 2 presents evidence on the patchy information on Bank-Fund collaboration provided in Article IV reports. Some Directors reported that the problems of inconsistent information on external collaboration are compounded by a lack of understanding and visibility of the Bank and its work to the Fund Board,[50] and, in some constituencies, high turnover of Executive Directors and their staff.

Some interviewees—including some Executive Directors as well as Fund staff—felt that Executive Directors' offices at the Bank and Fund could play a larger role in supporting collaboration by exchanging information with one another and coordinating better to provide consistent messages to staff. Others welcomed the recent more active role of the Fund Board Committee on Liaison with the World Bank and other International Organizations, but still felt its role and objectives were relatively limited and could be made more ambitious to champion collaboration with the World Bank and other IOs.

Enabling factors

Leadership. Clear direction from leadership—management, Board, senior staff, and shareholders—can help to ensure collaboration happens or improves. One recent example is coordination between the Bank and the Fund on the Bali Fintech agenda (see Abrams, 2020), which Fund staff told us was driven by clear messages from the Fund Managing Director and Bank President. This clear direction meant that both organizations found sufficient resources to deliver coordinated output in a tight timeframe. An example of leadership from shareholders came out of tensions between the Fund and multilateral development banks (including the World Bank) over budget-support lending to a few key countries in 2015 and 2016. This resulted in direction from the G20 to develop a set of principles to coordinate lending (G20, 2017). Fund staff explained in interviews that management can and do send particularly strong signals for the Bank and Fund to work together closely on strategically important countries, often those in or near to Fund financing, and intermediate as needed to overcome difficult issues. Some Fund staff also highlighted the positive attitude of their front office to collaboration with the Bank, and the processes put in place were important enablers, with the African Department providing a good example.

Business need. Collaboration clearly works most consistently where each institution sees a business need to work together that is sufficient to outweigh the transaction costs of collaborating. On some policy issues, the Bank may see that engagement with the Fund can leverage their capacity to advance the Bank's agenda, such as by providing fiscal space for reforms or by getting better buy-in from finance ministries, as was found to be the case on social protection (IEO, 2017). In terms of country work, the Bank is more likely to want to engage with the Fund where the latter is providing financing with associated conditionality, especially where fiscal issues are central or where both institutions are heavily involved in capacity development, such as fragile states. By contrast, the Bank has less reason to help the Fund in its surveillance function, which is not part of the Bank's mandate and was viewed by some Bank interviewees as not directly contributing to the Bank's specific goals.

The importance of mutually consistent business needs is well illustrated by the Fund's different experience of working with the WTO and the OECD. The IEO's update on trade (IEO, 2019b) and interviews with WTO staff for this evaluation indicate the substantial benefits to both sides from IMF-WTO collaboration. The WTO secretariat has a narrow mandate: its role is to facilitate trade negotiations and enforce trade agreements among members, and it is

[49] For example, Executive Directors interviewed for 2018 Structural Conditionality Update did not think that program documents were clear enough as to the contributions made to IMF program conditionality by the World Bank and regional development banks in areas of shared competency and believed that they were even less clear in non-core areas. The evaluation also found that the Fund's database on the monitoring of IMF conditionality (MONA) rarely if ever reported on which institution had the lead responsibility for structural conditions in areas of shared expertise.

[50] To respect the separate decision-making frameworks of each institution, joint meetings of the IMF and World Bank Boards have been informal. While the Bank and others that have been given observer status at the IMF have the right, within the legal framework, to attend certain Board meetings, as "observers," they would not generally speak in the meetings.

constrained in what it can say about member country trade policies. The Fund does not face such constraints and indeed is supposed to encourage measures that help address external imbalances and promote global economic stability and growth. The Fund, meanwhile, benefits from the detailed understanding of trade issues within the WTO secretariat.

Conversely, the lack of perceived benefits from working with Fund was viewed as a particular issue by some OECD interviewees. A common theme was that the OECD could see little return from diverting scarce resources to meet Fund requests for help. Indeed, some senior OECD officials perceived a tendency to territorial behavior on the part of some Fund staff, and a reluctance to share analysis, information, and documents. Some OECD staff described "embarrassing" incidents in which they had been criticized by their shareholders for duplicating Fund work of which they had had no prior information.

Country authorities. The impact of the IMF, World Bank, and other partners depends crucially, of course, on working effectively with the authorities in member countries. Some interviewees pointed to cases where the authorities had taken an active role in bringing the Bank and Fund together to better meet the country's needs. One example cited related to country authorities wanting to ensure that the Fund team understood the Bank's assessment of spending priorities in designing a Fund-supported program. In another example, a member country did not want an IMF program, but nonetheless pressed Bank and Fund to work together on TA on financial sector issues.

Delineation of roles. Where the Fund has worked well with a partner in areas where both institutions have a mandate and expertise, there has typically been clarity about delineation of roles within a collaboration framework. For example, the FSAP is based on a clear understanding that the Fund focuses on financial stability while the Bank focuses on financial development—a demarcation that makes sense to all parties (including the receiving authorities), even if in practice the distinctions between these aspects can be blurred. The Fund and Bank have, moreover, taken a flexible and pragmatic approach to the delineation of roles. For example, in some cases where the FSAP has focused on financial development and not considered financial stability, Fund staff have participated in the Bank's FSAP missions. Bank experts have also participated in IMF-led FSAPs in some advanced economies (which otherwise have limited engagement with the Bank).

Structures and processes. More generally, well-defined structures and processes—for example, relating to prioritization, resourcing, content and sign-off on joint outputs, and resolution mechanisms in the case of disputes—can support joint work. This is generally seen to be the case for FSAPs and LIC-DSFs, helped by the fact that in both cases the structures and processes have been adapted over time in the light of experience. Where structures are not well designed or adapted over time, they often become either box-ticking exercises (e.g., in the case of the Bank-Fund collaboration annexes which came out of the JMAP) or bypassed entirely (e.g., as in the case of the Bank unilaterally abandoning the JSAN/PRSP process, which was intended to provide a shared policy framework for IMF and Bank lending to LICs).

Staff exchanges. The Malan Report suggested that increased mobility of staff between the Fund and Bank could enhance joint work, and this was among the steps advocated in the JMAP. The Fund's review of the JMAP in 2010 concluded that there had been some rise in staff mobility between the institutions, which had helped Bank-Fund collaboration.[51] Many interviewees for this evaluation referred to the contribution to effective collaboration made by specific individuals who had worked at senior levels in the Fund before moving to the Bank, and vice versa. More generally, staff who had familiarity with the other institution understood better the constraints on their erstwhile colleagues, and how to access the right expertise and decision-makers "across the street."

However, in practice not many IMF staff go to the World Bank to gain this kind of experience and familiarity. On average, three IMF staff have gone on secondment to

[51] The number of IMF staff initiating assignments at the Bank increased slightly in 2008–10, from three economists in FY2007 to five in FY2009 but fell off again thereafter.

the World Bank each year since FY 2006.[52] A total of 41 economists entered into such assignments over the last 15 years; 23 returned to the IMF and 20 remain active Fund employees.[53] IMF staff who have gone on assignment to the Bank have given very positive feedback about their experience and its impact on their ability to work with the Bank once they come back to the IMF. Nonetheless, the IEO survey of IMF staff shows that 80 percent of respondents did not believe that such an assignment would benefit their career at the Fund, and over 40 percent believed it would have a negative impact.

Individual-specific factors. The factor mentioned most often in our interviews as enabling—and hindering—collaboration was "personalities," encompassing individual styles and preferences (reflecting a range of idiosyncratic factors such as career histories, academic training, personality type, and so on), and the chemistry between individuals. Particularly telling were cases we heard from Fund and Bank staff where strong collaboration between Fund and Bank country teams deteriorated almost overnight following the turnover of key team members or senior staff. Recent IEO evaluations have also noted that the quality of Bank-Fund collaboration depends on the attitudes of the individual staff involved from each institution (e.g., IEO, 2018a; 2018b). Many interviewees for this evaluation emphasized that "personality" factors at senior levels (up to and including management) are particularly important, since these individuals set the tone for others in their organizations. But almost all interviewees stressed that "personalities" matter at every level of engagement between Fund and Bank. This is in part because of the limits to leadership influence in organizations as large and complex as the Fund and Bank, the difficulties of designing effective structures, and the misalignment of incentives. Diagnosing the drivers of individual styles and preferences goes beyond the scope of this evaluation, but there is scope to influence individual behavior patterns through recruitment processes, training, performance appraisal, staff exchange programs, and promotion decisions.

52 Looking just at economists, the average is 2.7 per year; for the whole pool of IMF staff, the average is 3.3 per year.

53 For comparison, 8 economists and 17 staff overall have gone on assignment to the OECD. Six economists and one of the other staff returned to the IMF.